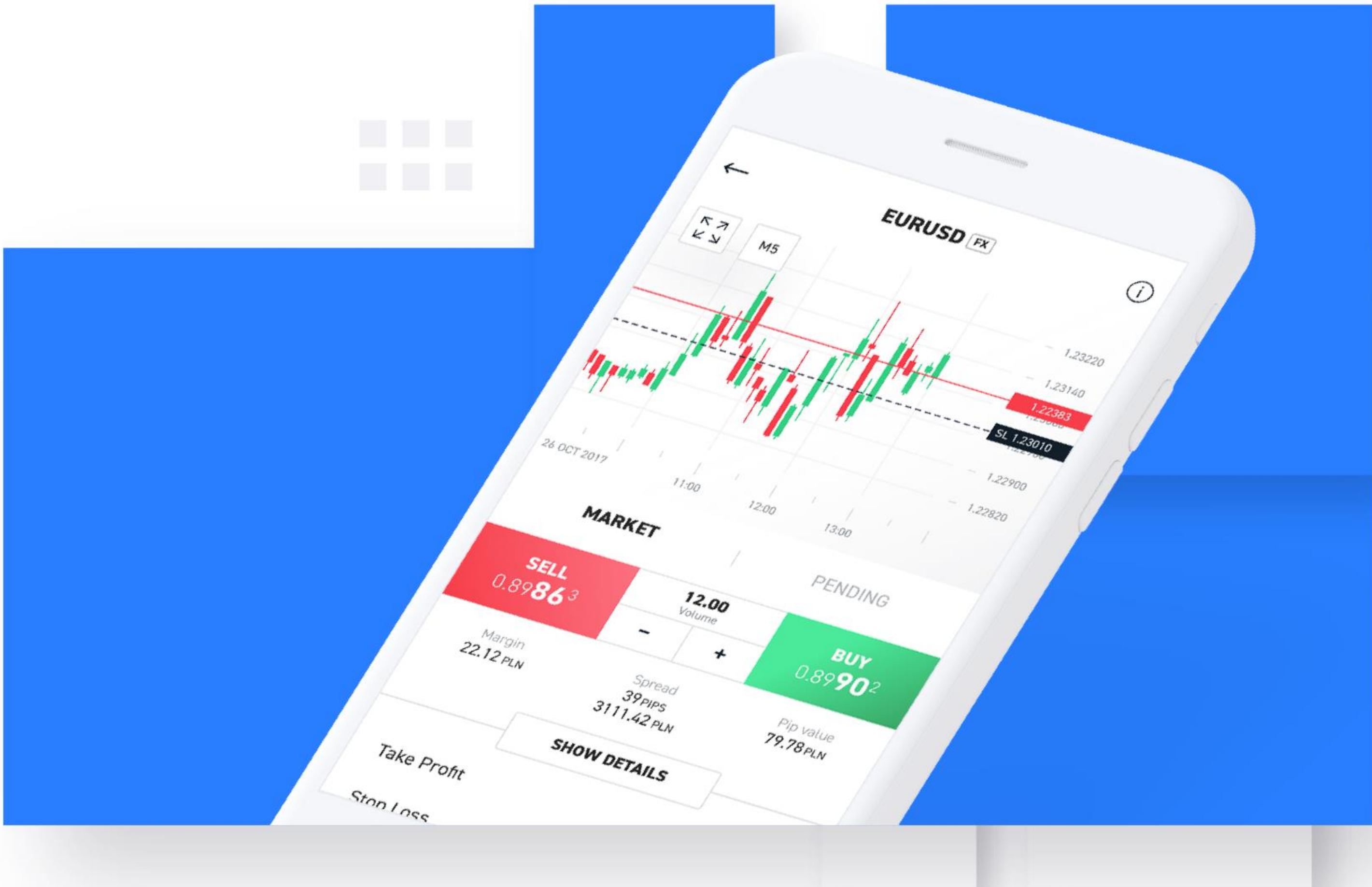

ANNUAL REPORT FOR 2018

CAPITAL GROUP X-TRADE BROKERS DM S.A.

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PRESIDENT'S LETTER

President's letter

Dear Sirs and Madams!

On behalf of Management Board of X-Trade Brokers DM S.A. I present the 2018 report. This document is the summary of the XTB Capital Group's operations over the past year, including generated financial results and the most relevant events.

An important factor in the success of XTB is the skilful use of changes in the economic and market environment, not only in the category of maximizing profit, but also consistently strengthening the financial strength and competitive position of the company. We were distinguished by our own innovative investment technology and constant development. In 2018, XTB continued implementation of optimized sales and marketing strategy and introduced new products such as shares and ETFs from the largest stock exchanges in Europe and the United States. We provided investors with access to almost 4,000 financial instruments from around the world.

The financial results of the XTB Group developed in the past year confirm the stable and well-established position of XTB on the international market. Consolidated operating revenues and net profit amounted to PLN 281.5 million and PLN 101.5 million, respectively. These results are higher than those generated in 2017 by 4.6% and by 9.1% respectively.

XTB has a solid basis for growth in the form of constantly growing customer base and number of active clients. In 2018 Group canvassed 20 672 new clients, it's increase by 9.3% y/y. In IV quarter 2018 XTB noted a record number of new clients in relation to previous quarters.

In 2019 the Management Board will strive to growing customer base. The Management sees the greatest growth potential in the German, French and Latin American market.

Looking forward, I'm sure that XTB Group is strong and well prepared to face challenges of competitive market and the legislative modifications.

On behalf of the Management Board, I would like to thank our shareholders, the Supervisory Board and Employees for their commitment and work to build the value of the XTB Capital Group. I hope that the next years will bring further development of the activity carried out by X-Trade Brokers DM S.A., confirmed not only by the growing number of products and services offered, but also by growing number of clients as well as preservation of ability to generate value.

Thank you for your trust in us in 2018. I encourage you to read the annual report attached.

Yours sincerely,

Omar Arnaout

President of the Management Board

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	IN PLN'000 12 MONTH PERIOD ENDED		IN EUR'000 12 MONTH PERIOD ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Comprehensive income statement:				
Total operating income	288 301	273 767	67 567	64 496
Profit on operating activities	115 809	128 270	27 141	30 219
Profit before tax	124 671	114 685	29 218	27 018
Net profit	101 471	92 973	23 781	21 903
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,86	0,79	0,20	0,19
Cash flow statement:				
Net cash from operating activities	139 544	121 869	32 704	28 711
Net cash from investing activities	(1 202)	(3 987)	(282)	(939)
Net cash from financing activities	(41 175)	(37 697)	(9 650)	(8 881)
Increase/(Decrease) in net cash and cash equivalents	97 167	80 185	22 772	18 891

	IN PLN'000		IN EUR'000	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Statement of financial position:				
Total assets	970 074	897 704	225 599	215 230
Total liabilities	514 918	497 362	119 748	119 246
Share capital	5 869	5 869	1 365	1 407
Equity	455 156	400 342	105 850	95 985
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	3,88	3,41	0,90	0,82

The above data was translated into EUR as follows:

- Items in the comprehensive income statement and cash flow statement - by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,2669;
  - for the comparative period: 4,2447;
- items of statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,3000;
  - for the comparative period: 4,1709.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	TWELVE-MONTH PERIOD ENDED 31.12.2018	31.12.2017
Result of operations on financial instruments	6.1	281 473	269 188
Income from fees and charges	6.2	6 651	4 457
Other income		177	122
Total operating income	6	288 301	273 767
Salaries and employee benefits	7	(78 478)	(73 150)
Marketing	8	(33 322)	(24 841)
Other external services	10	(24 909)	(21 943)
Costs of maintenance and lease of buildings	9	(7 815)	(7 934)
Amortisation and depreciation	19,20	(3 931)	(6 054)
Taxes and fees		(2 340)	(2 059)
Commission expenses	11	(7 627)	(5 964)
Other costs	12	(14 070)	(3 552)
Total operating expenses		(172 492)	(145 497)
Profit on operating activities		115 809	128 270
Impairment of intangible assets	19	–	(5 612)
Finance income	13	9 083	6 318
Finance costs	13	(221)	(14 291)
Profit before tax		124 671	114 685
Income tax	30	(23 200)	(21 712)
Net profit		101 471	92 973
Other comprehensive income		(5 573)	(10 961)
Items which will be reclassified to profit (loss) after meeting specific conditions		(5 573)	(10 961)
- foreign exchange differences on translation of foreign operations		*(6 538)*	*(8 862)*
- foreign exchange differences on valuation of separated equity		*1 191*	*(2 592)*
- deferred income tax		*(226)*	*493*
Total comprehensive income		95 898	82 012
Net profit attributable to shareholders of the Parent Company		101 471	92 973
Total comprehensive income attributable to shareholders of the Parent Company		95 898	82 012
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	29	0,86	0,79
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	29	0,86	0,79
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	29	0,86	0,79
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	29	0,86	0,79

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	31.12.2018	31.12.2017
ASSETS			
Own cash and cash equivalents	15	467 987	367 096
Customers' cash and cash equivalents	15	363 908	378 471
Financial assets at fair value through P&L	16	114 279	N/A*
Financial assets held for trading	16	N/A*	127 944
Financial assets available for sale		N/A*	147
Income tax receivables		3 068	375
Financial assets at amortised cost	17	5 005	4 009
Prepayments and deferred costs	18	3 049	3 216
Intangible assets	19	716	2 915
Property, plant and equipment	20	2 517	3 034
Deferred income tax assets	30	9 545	10 497
Total assets		970 074	897 704
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to customers	21	447 841	421 400
Financial liabilities held for trading	22	28 227	40 905
Income tax liabilities		232	1 268
Other liabilities	23	23 781	21 913
Provisions for liabilities	26	1 980	1 666
Deferred income tax provision	30	12 857	10 210
Total liabilities		514 918	497 362
Equity			
Share capital	27	5 869	5 869
Supplementary capital	27	71 608	71 608
Other reserves	27	334 898	247 992
Foreign exchange differences on translation	27	(21 479)	(15 906)
Retained earnings		64 260	90 779
Equity attributable to the owners of the Parent Company		455 156	400 342
Total equity		455 156	400 342
Total equity and liabilities		970 074	897 704

** N/A - not applicable – items which are not applicable due to the rules resulting from IFRS 9 from 1 January 2018*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	27	27	27,28	27	28	27,28	
As at 1 January 2018	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342
Total comprehensive income for the financial year							
Net profit	–	–	–	–	101 471	101 471	101 471
Other comprehensive income	–	–	–	(5 573)	–	(5 573)	(5 573)
Total comprehensive income for the financial year	–	–	–	(5 573)	101 471	95 898	95 898
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	86 906	–	(127 990)	(41 084)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–	–
- covering losses from previous years	–	–	(490)	–	490	–	–
As at 31 December 2018	5 869	71 608	334 898	(21 479)	64 260	455 156	455 156

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

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

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	27	27	28	27	28	27,28	
As at 1 January 2017	5 869	71 608	212 554	(4 945)	70 807	355 893	355 893
Total comprehensive income for the financial year							
Net profit	–	–	–	–	92 973	92 973	92 973
Other comprehensive income	–	–	–	(10 961)	–	(10 961)	(10 961)
Total comprehensive income for the financial year	–	–	–	(10 961)	92 973	82 012	82 012
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	35 438	–	(73 001)	(37 563)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–	–
As at 31 December 2017	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342

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

CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	TWELVE-MONTH PERIOD ENDED 31.12.2018	31.12.2017
Cash flows from operating activities			
Profit before tax		124 671	114 685
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		(28)	37
Amortization and depreciation	19,20	3 931	6 054
Foreign exchange (gains) losses from translation of own cash		(3 724)	3 828
Impairment of intangible assets	19	–	5 612
Other adjustments	34.2	(5 558)	(10 777)
Changes			
Change in provisions		314	718
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		1 134	(14 781)
Change in balance of restricted cash		14 563	(2 829)
Change in financial assets at amortised cost		(996)	1 235
Change in balance of prepayments and accruals		167	374
Change in balance of amounts due to customers		26 441	44 132
Change in balance of other liabilities	34.1	1 959	(650)
Cash from operating activities		162 874	147 638
Income tax paid		(23 330)	(25 773)
Interests		–	4
Net cash from operating activities		139 544	121 869
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		70	205
Expenses relating to payments for property, plant and equipment	20	(1 231)	(1 287)
Expenses relating to payments for intangible assets	19	(41)	(2 905)
Net cash from investing activities		(1 202)	(3 987)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements	34.1	(91)	(130)
Interest paid under lease		–	(4)
Dividend paid to owners		(41 084)	(37 563)
Net cash from financing activities		(41 175)	(37 697)
Increase (Decrease) in net cash and cash equivalents		97 167	80 185
Cash and cash equivalents – opening balance		367 096	290 739
Effect of FX rates fluctuations on balance of cash in foreign currencies		3 724	(3 828)
Cash and cash equivalents – closing balance	15	467 987	367 096

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

ADDITIONAL EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačni složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: RO27187343.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: DE266307947.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689 and was granted the following tax identification number FR61522758689.
- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – 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	CONSOLIDATION METHOD	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL	
			31.12.2018	31.12.2017
XTB Limited (UK)	full	Great Britain	100%	100%
X Open Hub Sp. z o.o.	full	Poland	100%	100%
XTB Limited (CY)	full	Cyprus	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	full	Turkey	100%	100%
XTB International Limited	full	Belize	100%	100%
XTB Chile SpA	full	Chile	100%	100%
XTB Services Limited	full	Cyprus	100%	100%
XTB Technologies Sp. z o.o. in liquidation	full	Poland	100%	–
XTB Africa (PTY) Ltd.	full	South Africa	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 3 May 2018 DUB Investments Limited changed its name to XTB Limited . On 6 June 2018 the Parent Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the Parent Company kept 100% share in subsidiary's capital.

On 17 April and on 16 May 2014 the Parent Company acquired 100% shares in X Trade Brokers Menkul Değerler A.Ş. with its registered office in Turkey, as a result of which on 30 April 2014 it took control over the company. The acquisition of 100% of the shares led to taking up control by the Parent Company. 12 999 996 shares were taken up against the loan granted to Jakub Zabłocki for the purchase of the entity; as at the moment of settlement, the loan was PLN 27 591 thousand. The remaining four shares were purchased with cash. The value of shares taken up by way of settlement against the loan amounted to PLN 28 081 thousand, the shares purchased with cash amounted to PLN 8,88. The fair value of the consideration paid was PLN 28 081 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method, in accordance with the accounting policy adopted for transactions under joint control. As at the acquisition date particular net assets of the acquired company X Trade Brokers Menkul Değerler A.Ş. were measured at fair value. 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 30 November 2017 the Management Board of X-Trade Brokers Dom Maklerski S.A. took a decision on withholding the actions designed to terminate the activities on Turkish market and liquidation of subsidiary X Trade Brokers Menkul Degerler A.S. until the end of first half of 2018 due to identified indications of providing favourable reduced regulations for the investment companies by the Turkish regulator. Due to the above the Parent Company's Management Board does not exclude the recommencement of its activity in Turkey.

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

In case of closing the activity on the Turkish market which from the accounting point of view means liquidation of the assets (loss of licence) the Group, according to the applicable accounting rules, will be obliged to take action in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effect of such translation will be recognized as financial expenses. The Group would like to explain that the amount of exchange rate differences concerning the investment in Turkey is derived among other the exchange rate of Turkish lira, which fluctuates therefore as at the date of these consolidated financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future.

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

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

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

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

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

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus for EUR 1 000. The fair value of purchased net assets, which in full constituted of cash, amounted to EUR 1 000. The company's results are consolidated under the acquisition method as of the date of its acquisition. On 8 August 2017 the Parent Company took up 29 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 5 September 2017 the subsidiary changed its name to XTB Services Limited. On 15 January 2018 the Parent Company took up 50 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary.

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The Parent Company owns 100% of shares in subsidiary. X Trading Technologies Sp. z o.o. provides activity concerning software. The company's results are consolidated under the full method from the date of its establishment. On 30 January 2018 the Parent Company took up 3 900 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 14 May 2018 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. The liquidation of the subsidiary will not have material impact to the Group's consolidated financial statements.

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

1.3 Composition of the Management Board

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

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Malý	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Jakub Zabłocki	Chairman of the Management Board	10.01.2017	delegated for the position for the period of 3 months from the 10 January to 10 April 2017; delegation cancelled on the 23 March 2017
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Omar Arnaout	Vice-Chairman of the Management Board	10.01.2017	from the 10 January 2017 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; resigned from office on 25 April 2018
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 2017 appointed for the new term of office which ends on 29 June 2019
Jakub Kubacki	Board Member	10.07.2018	from the 10 July 2018 appointed for the new term of office which ends on 29 June 2019

1.4 Public support

In 2018 and 2017 the Group did not receive any financial support from public resources.

1.5 Rate of return on assets

The rate of return on assets, calculated as the quotient of net profit and total assets, as of 31 December 2018 amounted to 10,46% and as of 31 December 2017 amounted to 10,36%.

1.6 Activities of the brokerage house outside the territory of the Republic of Poland

Information about the activities of the brokerage house outside the territory of the Republic of Poland, broken down into member states and third countries in which the brokerage house has its subsidiaries, on a consolidated basis within the meaning of Article 4(1)(48) of the Regulation of the European Parliament and of the Council (EU) No 575/2013 on prudential requirements for credit institutions and investment firms are presented below.

AREAS OF ACTIVITIES	REVENUE FOR 2018	NUMBER OF EMPLOYEES IN TERMS OF FTSs	PROFIT BEFORE TAX FOR 2018	INCOME TAX FOR 2018
Poland	292 173	364	119 886	(22 139)
Great Britain	480	20	618	(117)
Cyprus	–	8	100	–
Belize	119	0	539	–
Turkey	–	2	2 726	(693)

AREAS OF ACTIVITIES	REVENUE FOR 2017	NUMBER OF EMPLOYEES IN TERMS OF FTSs	PROFIT BEFORE TAX FOR 2017	INCOME TAX FOR 2017
Poland	251 692	350	105 648	(18 250)
Great Britain	1 133	12	1 038	(197)
Belize	10 763	–	512	–
Turkey	4 562	2	3 663	(860)

2. Basis for drafting the financial statements

2.1 Compliance statement

These consolidated financial statements were prepared based on International Financial Reporting Standards (IFRS), which were endorsed by the European Union.

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

These consolidated financial statements have been prepared on the historical cost basis, with the exception of financial assets at fair value through P&L and financial liabilities held for trading 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 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 consolidated financial statements were approved by the Management Board of the Parent Company on 7 March 2019.

Drafting this consolidated financial statements, the Parent Company decided that none of the Standards would be applied retrospectively.

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

2.2 Functional currency and reporting currency

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

2.3 Going concern

The 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 consolidated financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the Group companies' continued operations with the exception of subsidiaries X Trade Brokers Menkul Değerler A.Ş in Turkey and X Trading Technologies Sp. z o.o. in liquidation in Poland described in note 1.2.

2.4 Comparability of data and consistency of the policies applied

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

2.5 Changes in the accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2017, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2018.

For the first time the Group applied IFRS 15 Revenue from contracts with customers ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9") with the effect from 1 January 2018.

Other new or amended standards and interpretations that apply for the first time in 2018 have no material impact on Group's consolidated financial statements.

- IFRS 15 Revenue from contracts with customers

  IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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 standard requires from the Management Board of the Parent Company to exercise judgment when applying each step of the model to contracts with their customers.

  The Group implemented IFRS 15 using a retrospective method, i.e. with the combined effect of the first application of the standard recognized on the date of first application, i.e. on 1 January 2018. The Group applied IFRS 15 retrospectively only to contracts that are not completed as at the date of first application. The Group applied IFRS 15 retrospectively in respect of all contractual changes that took place before the date of first application.

  The Group operates in the area of delivering of products, services and technological solutions in the field of trading in financial instruments, specializing in the OTC market and in particular in OTC derivatives. The operating revenues of the Group arise mainly from:

  a) spreads (difference between purchase price and sell price);

  b) net result (gains decreased by losses) from the Group's operations in the scope of market making (organizing the market);

  c) commissions and fees charged to clients by the Group;

  d) from the swap points.

  Taking into account the analysis of the above-mentioned agreements in accordance with IFRS 15 the Group did not identify separate obligations to perform the service under the contract.

  Taking above into account as well as the nature of contracts concluded by the Group with clients, the Group believes that the application of IFRS 15 will not have material impact on the consolidated financial statements.

  The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 from the effective date of the standard, without restatement of prior periods.

a) Classification and measurement

Under IFRS 9, except for certain trade receivables, at initial recognition the Group measures a financial asset at its fair value plus or minus, in the case of financial assets not in fair value through profit or loss. Transaction costs that are directly attributable to the acquisition of issue of the financial asset.

Under IFRS 9, financial instruments are subsequently measured at fair value through profit and loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI' criterion).

The classification and measurement of the Group's financial assets are, as follows:

i. debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. The category includes loans granted and other receivables.

ii. debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition.

iii. equity instruments at FVOCI, with no recycling of gains and losses to profit or loss on derecognition.

iv. financial assets at FVPL include OTC financial instruments. Under IAS 39 OTC instruments, were classified as held for trading.

The Group has I and IV category instruments. The other categories do not appear.

The Group reclassifies if and only if its business model of managing these assets changes. The reclassification takes place from the beginning of the first reporting period following the change. Such changes are expected to be very rare and did not occur during this period.

The table below presents changes in the classification of financial instruments as at 1 January 2018, being the date of first application of IFRS 9. The application of the new standard, replacing the existing IAS 39, has not changed the methodology for the valuation of financial assets and liabilities. The principal method used for the valuation is still the amortised cost method, therefore the carrying amount of financial assets and liabilities as at the day of implementing IFRS 9 is the same as in the case of IAS 39.

Financial assets	Classification as per: IAS 39	Classification as per: IFRS 9	Carrying amount according to IAS 39 and IFRS 9 as at 1 January 2018	Carrying amount according to IAS 39 and IFRS 9 as at 31 December 2018
Cash and cash equivalents	Loans and receivables measured in amortised cost	Financial assets measured in amortised cost	745 567	831 895
Financial assets held for trading	Financial assets held for trading	Financial assets at fair value through P&L	127 944	114 279
Financial assets available for sale	Assets available for sale valued at acquisition price (less impairment in line with IFRS 10)	Equity instruments at acquisition price (less impairment in line with IFRS 10)	147	114
Trade and other receivables	Loans and receivables measured in amortised cost	Financial assets measured in amortised cost	4 009	5 005

Financial liabilities	Classification as per: IAS 39	IFRS 9	Carrying amount according to IAS 39 and IFRS 9 as at 1 January 2018	Carrying amount according to IAS 39 and IFRS 9 as at 31 December 2018
Amounts due to customers	Financial liabilities measured in amortised cost	Financial liabilities measured in amortised cost	421 400	447 841
Financial liabilities held for trading	Financial liabilities held for trading	Financial liabilities held for trading	40 905	28 227
Other liabilities	Financial liabilities measured in amortised cost	Financial liabilities measured in amortised cost	21 913	23 781

The assessment of the Group's business model was made as of the date of initial application of IFRS 9, i.e. 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment or whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Due to the performed analysis the Group concluded that IFRS 9 does not introduce significant changes to the classification and measurement of financial liabilities, except for modifications that do not result in the cessation of the recognition of an existing financial liability. The new standard requires the entity to recognize the adjustment to the amortized cost of a financial liability as income or expense in the financial result at the time of modification.

b) Impairment

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In connection with the performed analysis and the nature of receivables the implementation of IFRS 9 did not have material impact on increasing the impairment of receivables.

For other financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that result from default events on financial instruments that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. IFRS 9 also changes the approach to the valuation of the issuer's obligations under financial guarantee contracts by introducing a model based on the concept of expected loss. The implementation of IFRS 9 did not have material impact on Group's consolidated financial statements.

c) Hedge accounting

The Group does not apply the hedge accounting.

d) Other adjustments

Not applicable.

- IFRIC 22 Foreign currency transactions and advance consideration

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

The interpretation does not have material impact on Group's consolidated financial statements.

- Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction for development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on Group's consolidated financial statements.

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

  The International Accounting Standards Board (IASB) has published amendments to IFRS 2 Share-based payments to clarify the following areas: consideration of vesting conditions of share-based payment transactions settled in cash, recognition of share-based payment transactions characterized by a net settlement of withholding tax liabilities, the inclusion of modifications to share-based payment transactions that changes its classification from settled in cash into equity-settled accounts.

  These amendments do not have any impact on Group's consolidated financial statements.

- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

  The amendments allow entities that carry out insurance activity to postpone the date of entry into force of IFRS 9 by 1 January 2022. The effect of such postponement is that the entities concerned may continue to prepare financial statements in accordance with the applicable standard, i.e. IAS 39.

  These changes do not apply to the Group.

- Amendments to IAS 28 Investments in Associates and Joint Ventures as a part of Amendments resulting from the review of IFRSs 2014-2016

  The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit and loss under IFRS 9. If an entity, that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This selection is made separately for each investment entity associate or joint venture, at the later of the date on which a) the investment entity associate or joint venture is initially recognised; b) the associate or joint venture becomes an investment entity; c) the investment entity associate or joint venture becomes a parent.

  These amendments do not have any impact on Group's consolidated financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards as part of amendments resulting from the review of IFRSs 2014-2016

  Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have not served they intended purpose.

  These amendments do not have any impact on the Group's consolidated financial statements.

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

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

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

- 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;

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - 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 2022;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2020.

2.6.1 Implementation of IFRS 16

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

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

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

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

The Group leases properties and cars as disclosed in details in notes 24 and 25.

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

The Group decided to apply a modified retrospective approach (with the combined effect of the first approach). Therefore the Group will not restate comparative data, but will take into account the cumulative effect of adopting IFRS 16 as an adjustment to equity (retained earnings) as at the date of application of the standard for the first time. When applying IFRS 16, the lease liability is measured for the first time at the current value of the other lease payments discounted using the lessee's marginal interest rate on the date of the first application. When applying IFRS 16, the right to use an asset for the first time is measured at the amount equal to the liability under the lease, adjusted by the amount of any prepayments or calculated lease payments relating to that lease, recognized in the statement of financial position, directly preceding the date of the first application. No changes are envisaged regarding operating lease agreements, whose validity as at 1 January 2019 is up to 12 months and lease agreements regarding low-value assets. In such cases, the Group decided to internalize the leasing costs. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 from or before the first application of IFRS 16. The Group has not decided to apply IFRS 16 earlier.

As of the effective date of the new standard, i.e. on 1 January 2019, the estimated potential impact of IFRS 16 on the total assets of the Group will be around PLN 15 231 thousand (increase of fixed-assets and liabilities), while costs of lease in the approx. amount of PLN 5 071 thousand will be eliminated, depreciation costs for the 12-month period will increase by approx. PLN 4 923 thousand, interest costs will increase by approx. PLN 465 thousand and the gross profit will decrease by approx. PLN 317 thousand.

3. Professional judgement

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

Classification of lease agreements

The Group classifies leases as operational or financial lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. This assessment is based on the economic content of each transaction.

Amortisation periods of intangible assets

Amortisation period of the isolated intangible asset in the form of the licence for conducting brokerage activities on the Turkish market is assessed based on the expected economic useful life of this asset. The amortisation period was determined according to the expected useful life of the asset on the Turkish market no shorter than 10 years. Should the circumstances leading to a change in the expected useful life change, the amortisation rates also would change, which will have an impact on the value of amortisation charges and the net book value of intangible assets.

Disposal of subsidiaries or termination of their activities

The Group makes significant judgements in the scope of classification of investment in X Trade Brokers Menkul Degerler A.Ş. as capable of conducting operations or immediate reviving its operations. The assessment is based on the maintained operational and IT infrastructure as at 31 December 2018 as well as the identified indications of providing favourable reduced regulations for the investment companies by the Turkish regulator described in note 1.2.

Revenue recognition

Transaction price is determined at fair value which is described in details in notes 4.13 and 4.14. Variable remuneration, liabilities due to reimbursements and other in the case of the Group do not occur.

4. Adopted accounting principles

4.1 Rules of consolidation

The consolidated financial statements contain the financial information of the Parent Company and subsidiaries as at 31 December 2018 and 31 December 2017. The financial statements of subsidiaries, after adjustments made to ensure compliance with the IFRS, are prepared for the same reporting period as the financial statements of their parent companies, with the application of consistent accounting principles, based on uniform accounting policies applied to transactions and economic events of a similar nature. Adjustments are made in order to eliminate any discrepancies in the accounting methods.

4.1.1 Business combinations

Acquisitions of entities and organised parts of the business are recognised under the acquisition method. Each payment made as a result of a business combination is measured at the aggregate fair value (as at the date of payment) of transferred assets, liabilities incurred or acquired and capital investments issued in exchange for taking over the target. Costs directly related to the business combination are recognised in profit or loss at the time they were incurred.

In some cases, the payment transferred also includes assets or liabilities arising under contingent payment, measured at fair value at the date of acquisition. Changes in the fair value of a contingent payment over subsequent periods are recognised as changes in the cost of the combination only if they can be classified as changes over the measurement period. All other changes are settled in accordance with applicable IFRS regulations. Changes in the fair value of a contingent payment classified as an equity component are not disclosed.

Identifiable assets, liabilities and contingent liabilities of the target that meet the criteria for disclosure under IFRS 3 Business combinations are recognised at fair value as at the acquisition date, taking into account the exceptions set out in IFRS 3.

In settling transactions under joint control, the Group applies the acquisition method.

Where control is acquired as a consequence of several subsequent transactions, interests held as at the date of takeover are measured at fair value and their results are recognised in income or expenses for the period. Amounts accrued under shares in that entity, previously recognised under comprehensive income, are carried over to income or expenses for the period.

4.1.2 Investments in subsidiaries

Subsidiaries are understood as entities controlled by the Parent Company (inclusive of special purpose entities). It is assumed that the Group controls another entity in which the investment was made, when due to its involvement in this unit it is exposed to changing financial results, or when it has rights to variable financial results and the ability to affect the amount of these financial results through the exercise of power over the entity.

Financial results of subsidiaries acquired or sold in the course of the year are recognised in the consolidated financial statements from/until the time of their effective acquisition or disposal.

Any transactions, balances, income and expenses between the entities consolidated within the Group are subject to full consolidation elimination.

Non–controlling interests are presented separately from equity attributable to the owners of the Parent Company. Non–controlling interests may initially be measured at fair value or in proportion to the fair value share of acquired net assets. One of the above methods may be selected by any business combination. In subsequent periods, the value of non–controlling interests comprises the value initially recognised, adjusted for changes in the value of the entity's equity in relation to the shares held. Comprehensive income is allocated to non–controlling interests even if it results in a negative value for these interests.

Changes in the share in a subsidiary not resulting in a loss of control are recognised as equity transactions. The book values of the share of the Parent Company's owners and of the non–controlling interests are modified accordingly to reflect any changes in the interest structure. The difference between the value by which the value of non–controlling interests is adjusted and the fair value of the payment received or made is recognised directly in equity.

In the event of a loss of control over a subsidiary, the gain or loss on the disposal is calculated as the difference between: (i) the total fair value of the payment received and the fair value of the entity's shares remaining with the Parent Company, and (ii) the book value of assets (together with goodwill), liabilities and non–controlling interests. Amounts recognised for the entity being sold under other items of comprehensive income are reclassified to the income or expense for the period. The fair value of assets in the entity remaining with the Parent Company following the disposal is treated as the initial fair value for the purpose of their subsequent disclosure under IAS 39, or initial cost of shares in associates or joint ventures.

4.1.3 Goodwill

Goodwill occurring at acquisition results from a surplus, as at the date of acquisition, of the sum of the payment made, the value of non–controlling interests and the fair value of previously held shares in the target over the Parent Company's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the entity, recognised as at the date of acquisition.

If a negative value occurs, another review is performed of the fair value calculations for each net asset being acquired. If the value remains negative after the review, it is promptly disclosed under profit or loss.

Goodwill is initially disclosed as an asset at purchase price being the amount of the above–mentioned surplus, and then measured at purchase price less accumulated impairment loss.

For the purpose of testing for impairment, goodwill is allocated to individual cash–generating units that should benefit from synergies resulting from the combination. Cash–generating units to which goodwill is allocated are tested for impairment once a year or more often, if there are reasonable grounds to suspect that impairment has occurred. If the recoverable amount of a cash–generating unit is lower than its carrying amount, impairment loss is first allocated to reduce the carrying amount of goodwill allocated to that unit, and then to other assets of that unit in proportion to the carrying amount of that entity's assets. Impairment loss entered for goodwill cannot be reversed in the next period.

At the time of disposal of a subsidiary or a jointly–controlled entity, the portion of goodwill allocated thereto is taken into account in calculating the profit/loss on disposal.

Goodwill resulting from acquisition of an entity located overseas is treated as an asset of the entity located overseas and is translated at the exchange rate in effect on the balance sheet date.

4.2 Functional currency and reporting currency

Transactions executed in currencies other than the functional currency are entered on the basis of the exchange rate as at the transaction date. As at the balance sheet date, the monetary assets and liabilities in foreign currencies are translated using the average NBP rate as at that date. Non–cash items are carried based on historical cost.

The Parent Company's functional currency is the Polish zloty, which is also the functional currency of these consolidated financial statements.

Foreign exchange differences are reported under revenue or expenses of the period in which they occur, except for:

- foreign exchange differences regarding construction–in–progress which are included in expenses connected with such construction–in–progress and treated as adjustments of interest expenses on loans in foreign currencies;
- foreign exchange differences arising from cash items of receivables or amounts due to foreign operations with whom no settlements are planned, or such settlements are improbable, representing a portion of net investments into a foreign operation and recognised under capital reserve on the translation of foreign operations and profit/loss on the disposal of a net investment.

The following exchange rates were adopted for the purpose of measuring assets and liabilities as at the balance sheet date and for converting items of the comprehensive income statement:

CURRENCY	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
USD	3,7597	3,4813	3,6227	3,7439
EUR	4,3000	4,1709	4,2669	4,2447
CZK	0,1673	0,1632	0,1663	0,1614
RON	0,9229	0,8953	0,9165	0,9282
HUF	0,0134	0,0134	–	–
GBP	4,7895	4,7001	4,8142	4,8457
TRY	0,7108	0,9235	0,7676	1,0295
UYU	–	0,1226	–	0,1310
CLP	0,0054	0,0057	0,0056	0,0058

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits on demand. Other monetary assets are short–term, highly liquid investments that are readily convertible to specific amounts of cash and which are subject to an insignificant risk of changes in value. The Group classifies as cash equivalent investments which are readily convertible to a specific amount of cash, are subject to an insignificant risk of changes in value, and with payment terms of up to three months as of the date of acquisition.

Cash flows are inflows and outflows of cash and other monetary assets. The Group discloses cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non–cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows and items of income or expense associated with investing or financing cash flows. Income from interest received on cash and other monetary assets and expenses from interest paid to customers are classified under operating activities, while expenses from interest paid under finance lease are classified under financing activities.

Cash comprises the Group's own cash and customers' cash. Customers' cash is deposited in bank accounts separately from the Group's cash. Customers' cash and cash equivalents are not analysed in the consolidated cash flow statements. The Group achieves economic benefits from investing the customers' cash and cash equivalents.

4.4 Financial assets and liabilities

Investments are entered as at the date of purchase and derecognised from the financial statements as at the date of sale (transactions are recognised as on the date of conclusion) if the agreement requires their delivery on a specific date set forth by the market, and their initial value is measured at fair value. Transaction costs of the acquisition of financial assets and liabilities at fair value through profit or loss are entered under costs for the period, while the transaction costs of other types of assets and liabilities are recognised at the initial value of these assets and liabilities.

Financial assets are classified as

- debt instruments at amortised cost;
- debt instruments at fair value through other comprehensive income;
- equity instruments at fair value through other comprehensive income, and
- financial assets at fair value through P&L.

Financial liabilities are classified as:

- financial liabilities at fair value through P&L and
- other financial liabilities.

Financial assets classification

Financial assets are classified to the following categories:

- measured at amortised cost,
- measured at fair value through P&L,
- measured at fair value through other comprehensive income.

The Group classifies a financial asset based on the entity's business model for the management of financial assets and characteristics of the cash flows arising from the contract for a financial asset (the so-called "SPPI criterion"). The entity reclassifies investments in debt instruments if, and only if, the management model for those assets changes.

Initial measurement

Except for certain trade receivables, at initial recognition, an entity measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Derecognition

Financial assets are derecognised when:

- the contractual rights to the cash flows from the financial asset expired, or
- the contractual rights to the cash flows from the financial asset were transferred and the Company transferred all risks and rewards of ownership of the financial asset.

Subsequent measurement of financial assets

After initial recognition financial assets are classified to one of the below categories:

- debt instruments at amortised cost;
- debt instruments at fair value through other comprehensive income;

- equity instruments at fair value through other comprehensive income;
- financial assets at fair value through P&L.

4.4.1 Debt instruments measured at amortised cost

Financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.4.2 Debt instruments measured at fair value through other comprehensive income

Financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue, exchange rate differences and impairment gains or losses for a financial asset are recognized in profit or loss and calculated in the same way as in case of financial assets measured in amortised cost. Other changes in fair value are recognized in other comprehensive income. On derecognition of a financial asset its entirety profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Interest revenue is calculated by using the effective interest method and recognized in profit or loss in position “Finance income”.

4.4.3 Equity instruments – financial assets measured at fair value through other comprehensive income

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such election is made separately for each equity instrument. The cumulative gain or loss previously recognised in other comprehensive income is not subject to reclassification to profit or loss. Dividends are recognised in profit or loss when the entity's right to receive payment of the dividend is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

4.4.4 Financial assets measured at fair value through profit or loss

Financial assets items which do not meet the criteria of measurement at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Profit or loss form measurement of debt investments at fair value is recognized in profit or loss.

Dividends are recognized in profit or loss when the entity's right to receive payment of the dividend is established.

The Group falls into this category mainly OTC derivatives and stocks.

4.4.5 Fair value measurement

Fair value is the price that can be obtained at the date of valuation from the sale of an asset or can be paid for the transfer of liability in an ordinary transaction between market participants.

For financial instruments available on an active market, the fair value is measured based on quoted market prices. A market is considered to be active if the quoted prices are generally and directly available and represent current and actual transactions concluded between unrelated parties.

For instruments for which there is no active market, the fair value is determined on the basis of valuation models. Valuation models are applied in measuring vanilla options based on the Black–Scholes pricing formula and to digital options based on the distribution of probability of a concrete price of the underlying instrument on the expiration date of the option. Such probability distribution is established by means of translation of market-related volatility surface, using the Black–Scholes model equations.

The fair value of a financial instrument at initial recognition is the transaction price, i.e. fair value of the price paid or received.

Pursuant to IFRS 13 "Fair Value Measurement", the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs, namely:

1. valuation based on the data fully observable (active market quotations);
2. valuation models using information which does not constitute the data from Level 1, but observable, either directly or indirectly;
3. valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from Method 1 to 2 takes place when, for financial instruments measured using Method 1, quoted prices from an active market are not available at the balance sheet date (and they used to be);
- transfer from Method 2 to 3 takes place when, for financial instruments measured using Method 2, the value of parameters not derived from the market has become material at a given balance sheet date (and it used to be immaterial).

4.4.6 Impairment of financial assets

Financial assets, aside from those carried at fair value through profit or loss, are tested for impairment at every balance sheet date. Financial assets are impaired when there is objective evidence that the events which occurred after initial recognition of the asset have an adverse impact on the estimated future cash flows of the given financial assets.

Concerning listed stock classified as available for sale, a material or long-term decline in share prices is considered to be objective evidence of impairment.

For certain categories of financial assets, e.g. trade receivables, specific assets which are not considered past due, are tested for impairment cumulatively. Objective evidence of impairment of a portfolio of receivables includes the Company's experience in collecting receivables; increase in the number of payments past due by 90 days on average and observable changes in the domestic or local economic environment which are connected with cases of the untimely payment of liabilities.

In case of some categories of financial assets, for example trade receivables, particular assets assessed as not overdue are tested for impairment together. Objective evidence of impairment for the receivables portfolio includes the Company's experience in the debt collection process; increase in the number of late payments exceeding an average of 90 days as well as observed changes in the conditions of the national or local economy which are connected with cases of untimely repayment of receivables.

At each reporting date, an entity measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. At each reporting date, an entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, an entity compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

4.4.7 Derecognition of financial assets from the balance sheet

The Group derecognises a financial asset from the balance sheet only when contractual rights to cash flows generated by the asset expire or when the financial asset with essentially all risks and rewards of ownership of such asset is transferred to another entity. If the Group does not transfer or retain essentially all risks and rewards of ownership of such asset, and continues to control it, the Group recognises the retained share in such asset and related liabilities under payments due, if any. If, in turn, the Group retains essentially all the risks and benefits of the asset transferred, it continues to recognise the relevant financial asset. At the time of derecognising a financial asset in full, the difference between (i) the carrying amount and (ii) the sum of payment received and any accumulated gains or losses entered under other comprehensive income, is recognised under the income or expenses for the period.

4.4.8 Financial liabilities held for trading (at fair value through profit or loss)

In this category the Group includes financial liabilities held for trading or classified as carried at fair value through profit or loss at initial disclosure.

A financial liability is classified as held for trading if:

- it was incurred primarily for repurchase over a short period of time;
- it is part of a specific financial instrument portfolio managed jointly by the Company in accordance with the current and actual model for generating short–term profits; or
- it is a derivative instrument not classified and not operating as collateral.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in IAS 24 Related Party Disclosures), for example, the entity's board of directors and chief executive officer.

Financial liabilities at fair value through profit or loss are disclosed at fair value and the resulting financial profits or losses are entered under income or expenses for the period, and the resulting financial profit or loss is recognised as the income or expenses for the period, taking into account interest paid on a given financial liability.

4.4.9 Other financial liabilities

Other financial liabilities, including bank loans and borrowings, are initially carried at fair value less transaction costs.

Later on, they are measured at amortised cost using the effective interest rate method.

The effective interest rate method is used to calculate amortised cost of a liability and to allocate interest costs in the appropriate period. The effective interest rate is a rate effectively discounting future cash payments in the anticipated useful life of a given liability or a shorter period if necessary.

4.4.10 Derecognition of financial liabilities from the balance sheet

The Group derecognises financial liabilities from the balance sheet only if the appropriate liabilities of the Group are performed, invalidated or if they expire. At the time of derecognising a financial liability, the difference between (i) the carrying amount and (ii) the sum of payment made any accumulated gains or losses is entered under income or expenses for the period.

4.5 Clearings with the Central Securities Depository of Poland

The clearings with the Central Securities Depository of Poland (KDPW) include amounts due from the KDPW Group under the clearing fund, margins, transactions in derivatives and the liabilities for the services provided by the KDPW Group to the Group. The clearing fund is a fund used to secure the correct payment of the liabilities following from the clearing of transactions concluded on the regulated market by KDPW_CCP.

The KDPW group includes:

- Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW") – responsible for the clearing of transactions entered into on the regulated market and in the alternative trading system, as well as maintenance of the central securities depository;
- KDPW_CCP S.A. ("KDPW_CCP") – serves as a clearing house on the basis of the function of a central counterparty, and its task is to clear the transactions entered into in a regulated market and in the alternative trading system, and to operate a system for securing the liquidity of clearings.

4.5.1 Contributions to the compensation scheme

The Parent Company makes obligatory payments to the compensation scheme maintained by KDPW which constitute long–term receivables of the compensation scheme participant due from the KDPW.

Pursuant to the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws No. 183, item 1538, as amended, hereinafter, the "Act"), the Parent Company participates in the obligatory compensation scheme. The purpose of the compensation scheme maintained by the KDPW is to secure the assets held in cash accounts and securities accounts of customers of brokerage houses and banks maintaining securities accounts, in the event of their loss, in accordance with the principles established in the Act. The compensation scheme is created from payments made by its participants and profits generated on such payments. Payments contributed to the compensation system may be returned to a brokerage house only when it is fully discharged from participation in the system (it winds up its operations specified in the decision on withdrawal, repeal of a permit to provide brokerage services or expiry of such permit) and provided that such funds have not already been used for purposes as specified. On a quarterly basis, the KDPW informs system participants of accrued profits. The Parent Company's payments to the compensation system are reported as expenses, under "Other costs" in the comprehensive income statement.

The Parent Company maintains a register of payments to the compensation system and profits generated in connection with the management of funds collected by the KDPW in the compensation scheme in a manner that enables calculation of the balances of payments made and profits accrued.

4.6 Intangible assets

Intangible assets include the Group's assets which do not exist physically, which are identifiable and can be reliably measured, and which will give the Group economic benefits in the future.

Intangible assets are disclosed initially at cost of acquisition or production. As at the balance sheet date, intangible assets are carried at cost less accumulated amortisation and impairment write–offs, if any.

Intangible assets arising as a result of development works are disclosed in the statement of financial position, provided that the following conditions are met:

- from a technical point of view, it is feasible to complete the intangible asset so that it is available for use or sale;
- it is possible to demonstrate the intent to complete the intangible asset and to use and sell it;
- the intangible asset will be fit for use or sale;
- it is known how the intangible asset will generate probable future economic benefits;
- technical and financial resources necessary to complete development works and its use or sale will be provided;
- it is possible to reliably measure the expenditures attributable to the intangible asset during its development.

The expenditures attributable to the intangible asset during its development and expenditures that do not meet the above criteria are disclosed as expenses in the comprehensive income statement as on the date they were incurred.

Amortisation of intangible assets is carried out on the basis of rates reflecting their estimated useful lives. The Group has no intangible assets with an indefinite useful life. The straight-line method is applied to depreciate intangible assets with a definite useful life. The useful life of the respective intangible assets is as follows:

TYPE	DEPRECIATION PERIOD
Software licences	5 years
Intangible assets manufactured internally	5 years
Other intangible assets	10 years

Intangible assets are tested for impairment, whenever there is an indication of impairment, however with regard to intangible assets in the period of realisation, a potential impairment is defined at each balance sheet date. Effects of impairment and of amortisation of intangible assets are disclosed under operating expenses.

Intangible assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of the lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.7 Property, plant and equipment

Property, plant and equipment include items of property, plant and equipment as well as expenses for property, plant and equipment under construction which the Group intends to use in connection with its operations and for administration purposes, in a period of over 1 year, and which will bring economic benefits in the future. Expenditures on property, plant and equipment include actual capital expenditures, as well as expenditures for future supplies of equipment and services connected with the development of items of property, plant and equipment (prepayments made). Property, plant and equipment include significant specialist spare parts which are elements of a tangible asset.

Property, plant and equipment and expenses for property, plant and equipment under construction are initially disclosed at cost of acquisition or production. Significant components are also treated as separate items of property, plant and equipment. As at the balance sheet date, property, plant and equipment is carried at cost less depreciation and impairment write-offs, if any.

Depreciation of property, plant and equipment, including their components, is carried out on the basis of rates reflecting their estimated useful lives, and starts in the month following the month they are accepted for use. Useful life estimates are reviewed on an annual basis. The straight-line method is applied to depreciate property, plant and equipment. The useful life of the respective items of property, plant and equipment is as follows:

TYPE	DEPRECIATION PERIOD
Computers	3 years
Vehicles	5 years
Office furniture and equipment	5 years

Assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.8 Lease

Lease is classified as finance lease if, under an agreement, substantially all potential profits and risk from holding a leased object is transferred to the lessee. All other types of lease are treated as operating lease.

Assets used under finance lease agreements are treated as the Group's assets and measured at fair value at the time of acquisition, but no higher than the current value of the minimum lease payments. The liability to the lessor is disclosed in the statement of financial position, under "Other liabilities".

Lease payments are divided into the interest portion and reduction in the lease liability to ensure that the interest rate on the remaining liability is constant. Finance costs are entered directly in the comprehensive income statement unless they can be directly ascribed to appropriate assets. In such cases, they are capitalised in accordance with the Group's accounting policies concerning debt service costs. Contingent lease payments are entered under expenses at the time they were incurred.

Payments under operating lease are reported as expenses of the period, using the straight line method, over the term of lease, except for cases where another systematic settlement basis is more representative for the time pattern governing the consumption of economic benefits resulting from leasing a given asset. Contingent operating lease payments are entered under expenses at the time they were incurred. The Group has operating lease agreements for the lease of office premises.

If there were special incentives to enter into an operating lease agreement, they are recognised as liabilities. Aggregate benefits connected with such incentives are disclosed as a decrease in rent expenses, using the straight–line method, except for cases where another consistent basis is more representative of the time pattern governing the consumption of economic benefits resulting from leasing a given asset.

4.9 Impairment of property, plant and equipment and intangible assets except goodwill

As at each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets for indications of impairment. If such indications are identified, the Group estimates the recoverable amount of a given asset in order to determine the potential write-down thereon. When an asset does not generate cash flows that are largely independent of those from other assets, an analysis is carried out for the Group's cash-generating assets to which a given asset belongs. Where it is possible to specify a reliable and uniform allocation basis, the Group's property, plant and equipment are allocated to the relevant cash-generating units or the smallest clusters of cash-generating units for which such reliable and uniform allocation bases can be established.

For intangible assets with an indefinite useful life, an impairment test is performed yearly and whenever there are any indications of potential impairment.

The recoverable amount is calculated as the higher of: fair value less selling costs or value-in-use. The latter value represents the current value of estimated future cash flows discounted using the discount rate before tax taking into account the current market time value of money and the asset-specific risk.

If the recoverable amount is lower than the carrying amount of an asset (or a cash-generating unit), the carrying amount of the asset or the unit is decreased to the recoverable amount. Impairment loss is recognised promptly as the cost of the period when it occurred.

If the impairment loss is then reversed, the net value of an asset (or a cash-generating unit) is increased to the newly estimated recoverable amount, however no higher than the carrying amount of the assets that would be established had the impairment loss of an asset / cash-generating unit not been recognised in the preceding years. A reversal of impairment losses is disclosed promptly in the comprehensive income statement.

4.10 Provisions for liabilities

Provisions for liabilities are established when the Group has an existing legal or constructive obligation connected with past events and it is probable that the performance of this obligation will result in an outflow of funds representing economic benefits, and the amount of the liability can be reliably assessed, although the amount or maturity of the liability are not certain.

The amount of the provision recognised reflects the most accurate estimates possible of the amount required to settle the current liability as at the balance sheet date, taking into account risk and uncertainty connected with this liability. In the event of measuring a provision using the estimated cash flow method necessary to settle the current liability, its carrying amount reflects the current value of such cash flows.

If it is probable that some or all of the economic benefits required to settle a provision can be recovered from a third party, such receivable will be recognised as an asset, provided that the probability of recovery is sufficiently high and can be reliably assessed.

4.10.1 Onerous contracts

Current liabilities under onerous contracts are disclosed as provisions. A contract entered into by the Group is considered to be onerous if it involves inevitable costs of performance of contractual obligations whose value exceeds the value of economic benefits expected under the contract.

4.11 Equity

Equity includes capitals and funds established in compliance with the mandatory legal regulations, i.e. applicable laws and the statute. Retained profit is also disclosed under equity. Share capital is disclosed in the amount set out in the Parent Company's Statute. Unregistered payments to the share capital are disclosed under the Parent Company's equity and reported in the nominal amount of the payment received.

4.12 Customers' financial instruments and nominal values of transactions on derivatives (off–balance sheet items)

Off–balance sheet items include: the nominal values of derivatives in transactions executed with customers and brokers in the OTC market, and the values of financial instruments of the Group's customers, acquired on the regulated stock exchange market and deposited in the accounts of the Group's customers.

4.13 The result of operations on financial instruments

The result of operations on financial instruments covers all realised and unrealised income and expenses connected with trading in financial instruments, including dividend, interest and FX rate differences. The result of operations on financial instruments is calculated as the difference between the value of the instrument at the sale price and the purchase price.

The result of operations on financial instruments is composed of the following items:

- Result on financial assets held for trading: result on financial instruments on transactions with customers and brokers;
- The net income/(costs) on financial assets held to maturity: result on debt securities (interest result calculated using the effective interest rate method);
- Gains from the sale of investments in a subsidiary;

Discounts for customers and commissions for introducing brokers depend on the actual volume of trading in the financial instruments. This item decreases the result on transactions in financial instruments.

4.14 Fee and commission income and expenses

Fee and commission income includes brokerage fees and other charges against financial services charged to customers, and is disclosed at the date when the customer enters into a given transaction.

Fee and commission expenses are connected with financial brokerage services acquired by the Group, and disclosed at the date when the services were provided.

4.15 Cost of employee benefits

Short–term employee benefits, including specific contributions to benefit schemes, are disclosed in the period when the Group received a given benefit from an employee, and in the case of profit distribution or bonus payments, when the following conditions are met:

- the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For paid leave benefits, employee benefits are recognised to the extent of accumulated paid leave, at the time of performance of work that increases the entitlement to future paid absences (provision for unused holidays). Non–accumulating paid absences are recognised when the absences occur.

Post–employment benefits in the form of benefit schemes (retirement severance pays) and other long–term benefits (length of service bonuses, etc.) are determined using the projected personal right method, with an actuarial valuation performed at each balance sheet date. Actuarial gains and losses are disclosed in full in the comprehensive income statement. Past service costs are recognised promptly to the extent in which they pertain to benefits already gained, and in other cases amortised with the straight line method for the average period after which such benefits are gained.

Besides, the Parent Company offers a share options scheme for key employees, who received the right to shares before 2012, constituting a payment Program in the form of shares settled in equity instruments. The costs of services rendered by the employees in return for the rights granted are included in the comprehensive income statement in correspondence with the equity (IFRS 2) in the period of rights acquisition.

Pursuant to the requirements of the Regulation of the Minister of Finance of 2 December 2011 on the principles of defining the policy of variable remuneration elements for the management staff by brokerage houses, starting from 2012, the Parent Company applies the policy of variable remuneration elements for the persons occupying key positions. Benefits granted to the employees within the framework of the Program of variable remuneration elements are granted in cash – 50 per cent and in the form of the financial instruments whose value is related to the Parent Company's financial standing – 50 per cent. The part of benefits granted in the form of financial instruments whose value is related to the Parent Company's financial standing, is paid in cash within three years after the date of being granted. The provision for employee benefits due to variable remuneration elements is recognised in accordance with IAS 19 in the comprehensive income statement in "Employee benefits and remuneration".

4.16 Finance income and costs

Finance income includes interest income on funds invested by the Group. Finance costs consist of interest expense paid to customers, interest on finance lease paid and other interest on liabilities.

Interest income and expenses are disclosed in profits or losses of the current period, using the effective interest rate method.

Dividend income is disclosed at the time when the shareholders' right to obtain such dividend is established.

Finance income and costs also include gains and losses arising from foreign exchange rate differences, disclosed in net amounts.

4.17 Tax

The entity's income tax comprises current tax due and deferred tax.

4.17.1 Current tax

Current tax liability is calculated on the basis of the tax result (taxable base) for a given financial year. The tax profit (loss) is different from the accounting net profit (loss) because it does not include non–taxable income and non–deductible expenses. Tax expenses are calculated on the basis of tax rates in force in a given financial year and pursuant to the tax regulations of the countries in which the branches of the Parent Company and its subsidiaries are located.

4.17.2 Deferred income tax

Deferred tax is calculated using the balance sheet method, based on differences between the carrying amounts of assets and liabilities and corresponding tax values used to calculate the tax basis.

Deferred tax liability is established on all taxable positive temporary differences, while deferred tax assets are recognised up to the probable amount of a reduction in future taxable profit by recognised deductible temporary differences and tax losses or credits that the Group may use.

The value of deferred tax assets is assessed as on each balance sheet date and if the expected future taxable profits are not sufficient to realise an asset or its portion, a write-down will be performed.

Deferred tax is calculated based on tax rates that will be applicable when the asset is realised or the liability becomes due. In the statement of financial position, deferred tax is disclosed upon off-set to the extent that it applies to the same tax residency.

4.17.3 Current and deferred tax for the current reporting period

Current and deferred tax is disclosed in the comprehensive income statement, except for cases in which it pertains to items that credit or debit other comprehensive income directly, because then the tax is also disclosed in the other comprehensive income statement, or when it is the result of an initial calculation of a business combination.

4.18 Earnings per share

Earnings per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the reporting period.

5. Material estimates and valuations

In order to prepare its financial statements in accordance with the IFRS, the Group has to make certain estimates and assumptions that affect the amounts disclosed in the financial statements. Estimates and assumptions subject to day-to-day evaluation by the Group's management are based on experience and other factors, including expectations as to future events that seem justified in the given situation. The results are a basis for estimates of carrying amounts of assets and liabilities. Although the estimates are based on best knowledge regarding the current conditions and actions taken by the Group, actual results may differ from the estimates. Adjustments to estimates are recognised during the reporting period in which the adjustment was made provided that such adjustment refers only to the given period or in subsequent periods if the adjustment affects both the current period and subsequent periods. The most important areas for which the Group makes estimates are presented below.

5.1 Impairment of assets

As at each balance sheet date, the Group determines whether there are any indications of impairment of a given financial asset or group of financial assets. In particular, the Group tests its past due receivables for impairment and writes down the estimated amount of doubtful and uncollectible receivables.

At each balance sheet date, the Group assesses whether there are objective indications of impairment of other assets, including intangible assets. Impairment is recognised when it is highly likely that all or a significant part of the respective assets will not bring about the expected economic benefits, e.g. as a result of expiry of licences or decommissioning.

Tests for impairment of goodwill

The cash–generating unit to which goodwill has been allocated is subject to annual impairment tests. Impairment tests are conducted using the discounted cash flow method based on financial projections. Forecast financial results of cash–generating units are based on a number of assumptions, some of which (such as those based on observable market data, e.g., macroeconomic conditions) are beyond the Group's control.

Deferred income tax assets

At each balance sheet date, the Parent Company assesses the likelihood of settlement of unused tax credits with the estimated future taxable profit, and recognises the deferred tax asset only to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

Period for settlement of the deferred tax asset

The Group recognises a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilisation. Deterioration in tax results in the future might result in the assumption becoming unjustified. The deferred tax asset relates mainly to the losses generated by foreign operations and subsidiaries in the initial period of their operation recognised in the balance sheet. The Group analyses the possibility of recognising such assets, taking into consideration local tax regulations, and analyses future tax budgets assessing the possibility of recovering these assets.

Impairment of property, plant and equipment

At each balance sheet date, the Group assesses whether there are any indications that assets may be impaired. If any such indication exists, the Group formally makes an estimate of the recoverable amount. When the carrying amount of a given asset exceeds its recoverable amount, its impairment is recognized and it is written down to its recoverable amount. The recoverable amount is the higher of the following two amounts: the fair value of a given asset or cash-generating unit, less costs of disposal or value in use determined for individual assets.

Depreciation and amortization rates

Depreciation and amortisation rates are determined based on the anticipated economic useful lives of property, plant and equipment and intangible assets. The economic useful lives are reviewed annually by the Group based on current estimates.

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. In selecting the appropriate methods and assumptions, the Group applies professional judgment. The methods used for measuring the fair value of financial instruments are presented in note 4.4.5.

Uncertainty related to tax settlements

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.

Uncertainty related to Brexit

At the moment of submission of the consolidated financial statements, negotiations are ongoing between Prime Minister Theresa May and representatives of European Union regarding the terms of withdraw from European Union of Great Britain (so-called "Brexit"), in accordance with the procedure under art. 50 of the Treaty on European Union, which is to take place on 29 March 2018. On 12 July, 2018, the British government published a document, the so-called a white paper, concerning future relationships between Great Britain and European Union, which proposes a common market for trading in goods with the Community. The document does not include solutions regarding the movement of services. The British Government's proposal has not yet received EU approval. The impact of Brexit on the financial industry sector hinges on whether a deal can be struck between Great Britain and European Union and on what kind of barriers in providing services by British entities will be included in it. In connection with the above, the Company is eagerly awaiting results of the conducted negotiations. It cannot be ruled out that the new operating conditions for entities in the Group may affect its future financial results.

5.2 Fair value measurement

Information on estimates relative to fair value measurement is presented in note 39 – Risk management.

5.3 Other estimates

Provisions for liabilities connected with retirement, pension and death benefits are calculated using the actuarial method by an independent actuary as the current value of the Group's future amounts due to employees, based on their employment and salaries as at the balance sheet date. The calculation of the provision amount is based on a number of assumptions, regarding both macroeconomic conditions and employee turnover, risk of death, and others.

Provision for unused holidays is calculated on the basis of the estimated payment of holiday benefits, based on the number of unused holidays, and remuneration as at the balance sheet date. Provisions for legal risk are calculated on the basis of the estimated amount of outflow of cash in the case in which it is probable that such outflow will occur, if the given case ends unsuccessfully.

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Financial instruments (CFD)		
Index CFDs	141 924	168 852
Commodity CFDs	69 499	33 098
Currency CFDs	67 192	67 659
Stock CFDs	2 878	1 899
Bond CFDs	589	(83)
Total CFDs	282 082	271 425
Options		
Currency options	3 010	5 330
Index options	832	1 279
Commodity options	104	272
Bond options	1	3
Total options	3 947	6 884
Stocks	99	–
Gross gain on transactions in financial instruments	286 128	278 309
Bonuses and discounts paid to customers	(3 363)	(3 421)
Commission paid to cooperating brokers	(1 292)	(5 700)
Net gain on transactions in financial instruments	281 473	269 188

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

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

6.2 Income from fees and charges

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Fees and charges from institutional clients	4 187	3 373
Fees and charges from retail clients	2 464	1 084
Total income from fees and charges	6 651	4 457

6.3 Geographical areas

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Operating income		
Central and Eastern Europe	140 494	131 423
- including Poland	*72 525*	*78 332*
Western Europe	124 488	128 564
- including Spain	*42 360*	*56 550*
Latin America and Turkey	23 319	13 780
- including Turkey	–	*4 943*
Total operating income	288 301	273 767

The country from which the Group derives each time 15% and over of its revenue is Poland. 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)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Salaries	(64 216)	(58 521)
Social insurance and other benefits	(10 719)	(10 628)
Employee benefits	(3 543)	(4 001)
Total salaries and employee benefits	(78 478)	(73 150)

8. Marketing

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Marketing online	(27 265)	(17 120)
Marketing offline	(5 935)	(6 668)
Advertising campaigns	(99)	(922)
Competitions for clients	(23)	(131)
Total marketing	(33 322)	(24 841)

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

9. Costs of maintenance and lease of buildings

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Lease costs	(5 827)	(5 974)
Maintenance costs	(1 492)	(1 549)
Other costs	(496)	(411)
Total costs of maintenance and lease of buildings	(7 815)	(7 934)

10. Other external services

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Support database systems	(6 508)	(5 881)
Market data delivery	(5 463)	(4 468)
Legal and advisory services	(4 783)	(3 723)
Internet and telecommunications	(2 619)	(2 087)
Accounting and audit services	(1 995)	(1 713)
IT support services	(1 815)	(2 288)
Recruitment	(535)	(269)
Postal and courier services	(177)	(146)
Other external services	(1 014)	(1 368)
Total other external services	(24 909)	(21 943)

11. Commission expenses

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Bank commissions	(4 321)	(3 588)
Stock exchange fees and charges	(2 895)	(2 066)
Commissions of foreign brokers	(411)	(310)
Total commission expenses	(7 627)	(5 964)

12. Other expenses

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Materials	(1 064)	(899)
Business trips	(807)	(907)
Receivables impairment write–downs	(637)	(407)
Membership fees	(322)	(391)
Insurance	(180)	(176)
Representation	(151)	(218)
Loss on liquidation of fixed assets	–	(37)
Compensations	–	(488)
Other	(10 909)	(29)
Total other expenses	(14 070)	(3 552)

Write-downs of receivables are the result of the debit balances which arose in customers' accounts in that period.

Other concerns the impact of one-off event which was the imposition of and administrative fine number DPS-WPAII.456.9.2018.KE by the Polish Financial Supervision Authority in the amount of PLN 9,9 based on art. 167 paragraph 2 point 1 in relation to art. 167 paragraph 1 point 1 of Act on trading in financial instruments in connection with the violation of the law, in particular in the area of providing brokerage services to the Parent Company's clients. On 29 October 2018 the Parent Company filed a complaint against the administrative decision to the Provincial Administrative Court. The fine was paid by the Parent Company on 11 November 2018.

13. Finance income and costs

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Interest income		
Interest on own cash	6 301	4 673
Interest on customers' cash	535	727
Total interest income	6 836	5 400
Foreign exchange gains	2 107	–
Other finance income	140	918
Total finance income	9 083	6 318

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Interest expense		
Interest paid to customers	(152)	(661)
Interest paid under lease agreements	–	(4)
Other interest	(65)	(35)
Total interest expense	(217)	(700)
Foreign exchange losses	–	(13 588)
Other finance costs	(4)	(3)
Total finance costs	(221)	(14 291)

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

14. Segment information

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

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

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

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

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

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

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR TWELVE-MONTH PERIOD ENDED 31.12.2018 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	266 845	14 628	281 473	281 473
CFDs				
Index CFDs	134 288	7 636	141 924	141 924
Currency CFDs	68 239	(1 047)	67 192	67 192
Commodity CFDs	60 120	9 379	69 499	69 499
Stock CFDs	2 145	733	2 878	2 878
Bond CFDs	551	38	589	589
Options				
Currency options	3 010	–	3 010	3 010
Index options	832	–	832	832
Commodity options	104	–	104	104
Bond options	1	–	1	1
Stocks	99	–	99	99
Bonuses and discounts paid to customers	(1 252)	(2 111)	(3 363)	(3 363)
Commission paid to cooperating brokers	(1 292)	–	(1 292)	(1 292)
Fee and commission income	2 464	4 187	6 651	6 651
Other income	177	–	177	177
Total operating income	269 486	18 815	288 301	288 301
Salaries and employee benefits	(75 815)	(2 663)	(78 478)	(78 478)
Marketing	(32 110)	(1 212)	(33 322)	(33 322)
Other external services	(23 728)	(1 181)	(24 909)	(24 909)
Cost of maintenance and lease of buildings	(7 671)	(144)	(7 815)	(7 815)
Amortization and depreciation	(3 910)	(21)	(3 931)	(3 931)
Taxes and fees	(2 324)	(16)	(2 340)	(2 340)
Commission expense	(7 548)	(79)	(7 627)	(7 627)
Other expenses	(13 374)	(696)	(14 070)	(14 070)
Total operating expenses	(166 480)	(6 012)	(172 492)	(172 492)
Operating profit	103 006	12 803	115 809	115 809
Finance income	–	–	–	9 083
Finance costs	–	–	–	(221)
Profit before tax	–	–	–	124 671
Income tax	–	–	–	(23 200)
Net profit	–	–	–	101 471

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR TWELVE-MONTH PERIOD ENDED 31.12.2017 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	230 981	38 207	269 188	269 188
CFDs				
Index CFDs	133 847	35 005	168 852	168 852
Currency CFDs	61 435	6 224	67 659	67 659
Commodity CFDs	35 361	(2 263)	33 098	33 098
Stock CFDs	(41)	(42)	(83)	(83)
Bond CFDs	1 828	71	1 899	1 899
Options				
Currency options	5 330	–	5 330	5 330
Index options	1 279	–	1 279	1 279
Commodity options	272	–	272	272
Bond options	3	–	3	3
Bonuses and discounts paid to customers	(3 421)	–	(3 421)	(3 421)
Commissions paid to cooperating brokers	(4 912)	(788)	(5 700)	(5 700)
Fee and commission income	1 084	3 373	4 457	4 457
Other income	122	–	122	122
Total operating income	232 187	41 580	273 767	273 767
Salaries and employee benefits	(70 674)	(2 476)	(73 150)	(73 150)
Marketing	(23 260)	(1 581)	(24 841)	(24 841)
Other external services	(21 032)	(911)	(21 943)	(21 943)
Cost of maintenance and lease of buildings	(7 833)	(101)	(7 934)	(7 934)
Amortization and depreciation	(6 038)	(16)	(6 054)	(6 054)
Taxes and fees	(2 048)	(11)	(2 059)	(2 059)
Commission expense	(5 959)	(5)	(5 964)	(5 964)
Other expenses	(3 103)	(449)	(3 552)	(3 552)
Total operating expenses	(139 947)	(5 550)	(145 497)	(145 497)
Operating profit	92 240	36 030	128 270	128 270
Impairment of intangible assets	–	–	–	(5 612)
Finance income	–	–	–	6 318
Finance costs	–	–	–	(14 291)
Profit before tax	–	–	–	114 685
Income tax	–	–	–	(21 712)
Net profit	–	–	–	92 973

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

15. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	31.12.2018	31.12.2017
In hand	1	1
In current bank accounts	831 508	743 142
Short-term bank deposits	386	2 424
Cash and cash equivalents in total	831 895	745 567

Own cash and restricted cash – customers' cash:

(IN PLN'000)	31.12.2018	31.12.2017
Customers' cash and cash equivalents	363 908	378 471
Own cash and cash equivalents	467 987	367 096
Cash and cash equivalents in total	831 895	745 567

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

16. Financial assets at fair value through P&L

(IN PLN'000)	31.12.2018	31.12.2017
Index CFDs	62 461	56 760
Currency CFDs	20 598	28 263
Commodity CFDs	16 916	14 415
Stock CFDs	8 599	5 447
Bond CFDs	298	92
Stocks	5 407	22 967
Total financial assets at fair value through P&L*	114 279	127 944

** item presented in comparative periods as Financial assets held for trading*

Detailed information on the estimated fair value of the instrument is presented in note 39.1.1.

17. Financial assets at amortised cost

(IN PLN'000)	31.12.2018	31.12.2017
Gross amounts due from customers	3 045	2 667
Impairment write-downs of receivables	(2 844)	(2 480)
Total amounts due from customers	201	187
Trade receivables	3 034	1 543
Deposits	1 739	1 791
Statutory receivables	811	1 030
Impairment write-downs of receivables	(780)	(542)
Total financial assets at amortised cost	5 005	4 009

Movements in impairment write-downs of receivables

(IN PLN'000)	31.12.2018	31.12.2017
Impairment write-downs of receivables – at the beginning of the reporting period	(3 022)	(3 107)
Write-downs recorded	(738)	(567)
Write-downs reversed	101	146
Write-downs utilized	35	506
Impairment write-downs of receivables – at the end of the reporting period	(3 624)	(3 022)

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

18. Prepayments and deferred costs

(IN PLN'000)	31.12.2018	31.12.2017
Advertising	941	1 216
CRM	642	636
Prepaid rent	431	462
Licenses and news services	420	364
Insurance	340	219
Subscriptions	3	11
Other	272	308
Total prepayments and deferred costs	3 049	3 216

19. Intangible assets

Intangible assets in the period from 1 January 2018 to 31 December 2018

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 541	10 792	4 814	–	21 147
Additions	41	–	–	–	41
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	(12)	–	–	–	(12)
Gross value as at 31 December 2018	5 568	10 792	4 814	–	21 174
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(374)	(1 297)	(563)	–	(2 234)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	6	–	–	–	6
Accumulated amortization as at 31 December 2018	(5 061)	(10 792)	(4 605)	–	(20 458)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 31 December 2018	507	–	209	–	716

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

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

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

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

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

20. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2018 to 31 December 2018

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	9 131	6 100	100	–	15 331
Additions	1 109	203	(81)	–	1 231
Sale and scrapping	(53)	(172)	–	–	(225)
Net foreign exchange differences	(47)	69	–	–	22
Gross value as at 31 December 2018	10 140	6 200	19	–	16 359
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(1 326)	(371)	–	–	(1 697)
Sale and scrapping	37	146	–	–	183
Net foreign exchange differences	28	(59)	–	–	(31)
Accumulated amortization as at 31 December 2018	(8 738)	(5 104)	–	–	(13 842)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 31 December 2018	1 402	1 096	19	–	2 517

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

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

Non-current assets by geographical area

(IN PLN'000)	31.12.2018	31.12.2017
Non-current assets		
Central and Eastern Europe	2 271	4 413
- including Poland	*1 980*	*4 072*
Western Europe	612	530
- including Spain	*139*	*138*
Latin America and Turkey	350	1 006
Total non-current assets	3 233	5 949

21. Amounts due to customers

(IN PLN'000)	31.12.2018	31.12.2017
Amounts due to retail customers	401 811	374 747
Amounts due to institutional customers	46 030	46 653
Total amounts due to customers	447 841	421 400

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

22. Financial liabilities held for trading

(IN PLN'000)	31.12.2018	31.12.2017
Index CFDs	17 800	12 523
Currency CFDs	4 148	20 809
Commodity CFDs	3 779	4 677
Stock CFDs	2 475	2 844
Bond CFDs	25	52
Total financial liabilities held for trading	28 227	40 905

23. Other liabilities

(IN PLN'000)	31.12.2018	31.12.2017
Provisions for other employee benefits	12 157	12 379
Trade liabilities	7 675	5 608
Statutory liabilities	3 247	3 196
Liabilities due to employees	441	525
Liabilities due to brokers	118	–
Amounts due to the Central Securities Depository of Poland	106	77
Liabilities under finance lease	37	128
Total other liabilities	23 781	21 913

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

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

Program of variable remuneration elements

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

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

As at 31 December 2018, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 1 805 thousand and as at 31 December 2017 in the amount of PLN 1 654 thousand.

24. Liabilities in respect of finance lease

The Group entered into finance lease contracts regarding passenger cars. After expiry of the lease contract, the Group has the option to acquire the leased vehicles for a price set in the contract.

Liabilities under finance lease

(IN PLN'000)	MINIMUM LEASE PAYMENTS		CURRENT VALUE OF MINIMUM LEASE PAYMENTS	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to 1 year	38	98	37	92
1 – 5 years	–	37	–	37
Total liabilities in respect of finance lease	38	135	37	129

Net carrying amount of items of property, plant and equipment under finance lease

(IN PLN'000)	31.12.2018	31.12.2017
Property, plant and equipment under finance lease	158	209

25. Operating lease agreements

The Group is a party to office space lease agreements classified as operating lease. Minimum payments under irrevocable operating lease agreements are as follows:

Future lease liabilities by maturity date

(IN PLN'000)	31.12.2018	31.12.2017
Less than 1 year	5 431	4 914
1 – 5 years	9 102	7 988
Over 5 years	1 401	1 509
Total minimum payments under irrevocable operating lease payments	15 934	14 411

In 2018 the Group incurred the rent payments in respect of the agreements referred to above of PLN 5 827 thousand. In 2017 rent payments amounted to PLN 5 974 thousand.

26. Provisions for liabilities and contingent liabilities

26.1 Provisions for liabilities

(IN PLN'000)	31.12.2018	31.12.2017
Provisions for retirement benefits	1 055	846
Provisions for legal risk	925	820
Total provisions	1 980	1 666

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

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Group is a party. As at the date of preparation of these financial statements, the Company is not able to specify when the above liabilities will be repaid. The information on the significant court proceedings, arbitration authority or public administration authority was described in point 5.2 of the Management Board report on the operations of the Group and Company. To the best of our knowledge and belief, the procedures described therein and the future resolution of these proceedings in the context of a possible impact on other clients of the Group do not have a material impact on these consolidated financial statements.

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

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

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

(IN PLN'000)	VALUE AS AT 01.01.2017	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 31.12.2017
Provisions for retirement benefits	177	690	–	21	846
Provisions for legal risk	771	250	201	–	820
Total provisions	948	940	201	21	1 666

26.2 Contingent liabilities

The Group is party to a number of court proceedings associated with the Group's operations. The proceedings in which the Group acts as defendant relate mainly to employees' and customers' claims. As at 31 December 2018 the total value of claims brought against the Group amounted to approx. PLN 954 thousand (as at 31 December 2017: PLN 6,23 million). Company has not created provisions for the above proceedings. In the assessment of the Group there is low probability of loss in these proceedings.

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

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 959 thousand.

On the 30 June 2016 the Parent Company concluded the agreement with K3 System Sp. z o.o. for lease of computer hardware which is secured with a bill of exchange with the bill declaration for the maximum amount of PLN 200 thousand. The lease agreement ends in 2019.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 268 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited i Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension.

27. Equity

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

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

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

Shareholding structure of the Parent Company

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

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

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

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	6 243 759	312	5,32%
Other shareholders	10 229 875	511	8,71%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend in the amount of PLN 334 898 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 (21 479) thousand.

(IN PLN'000)	31.12.2018	31.12.2017
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	419	289
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	379	224
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	280	296
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	67	(63)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	21	(17)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	13	(10)
XTB Services Limited	9	(4)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(3)	(117)
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(12)	17
XTB Africa (PTY) Ltd.	(21)	–
XTB Limited (CY)	(24)	(154)
XTB Chile SpA	(82)	(30)
XTB International	(88)	(319)
XTB Limited (UK)	(785)	(968)
X Trade Brokers Menkul Değerler A.Ş.	(21 652)	(15 050)
Total foreign exchange differences on translation	(21 479)	(15 906)

28. Profit distribution and dividend

On 26 October 2018 the Management Board of the Mother Company adopted conditional resolution regarding the advance payment of dividend to Parent Company's shareholders for 2018 financial year. On 18 December 2018 after meeting the statutory conditions the Parent Company made the advance payment of dividend in the amount of PLN 41 084 thousand, i.e. PLN 0,35 per share. The advance payment of dividend concerned all shares of the Parent Company.

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

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2016 in the amount of PLN 73 001 thousand was partially earmarked for the payment of a dividend in the amount of PLN 37 563 thousand, the remaining amount was transferred to reserve capital. The dividend on ordinary shares for 2016, paid on 23 May 2017, amounted to PLN 37 563 thousand. The amount of dividend per share paid for 2016 was equal to PLN 0,32.

29. 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)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Profit from continuing operations attributable to shareholders of the Parent Company	101 471	92 973
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	–
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,86	0,79
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,86	0,79

30. Current income tax and deferred income tax

30.1 Income tax

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

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Income tax – current portion		
Income tax for the reporting period	(19 827)	(22 927)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(3 373)	1 215
Income tax disclosed in profit and loss	(23 200)	(21 712)

Reconciliation of the actual tax burden

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED 31.12.2018	31.12.2017
Profit before tax	124 671	114 685
Income tax based in the applicable tax rate of 19%	(23 687)	(21 790)
Difference resulting from application of tax rates applicable in other countries	(19)	(146)
Non-taxable revenue	127	35
Non-deductible expenses	(3 540)	(509)
Tax loss for the reporting period not disclosed in the deferred tax	(34)	–
Realisation of tax losses for the preceding periods	43	59
Writing off tax losses activated in previous years	(866)	–
Other items affecting the tax burden amount	4 776	639
Income tax disclosed in profit or loss	(23 200)	(21 712)

The increase in non-deductible expenses in 2018 as compared to previous year was caused by the occurrence of a one-off event which was the administrative fine described in note 12. The increase of Other items affecting the tax burden amount results from settlement in 2018 of tax burden for research and development. In 2018 the tax rate in France was changed which resulted in writing-off the portion of deferred income tax assets resulting from the change in the tax rates.

On the basis of art 18d of Act on corporate income tax dated 15 February 1992 with further amendments the Parent Company benefited in 2018 from the tax burden for research and development for 2016-2018 which in total amounted to PLN 4 038 thousand.

30.2 Deferred income tax

30.2.1 Unrecognized deferred income tax asset

Deferred income tax was not disclosed with respect to the items below:

(IN PLN'000)	31.12.2018	31.12.2017
Tax loss	715	1 052

Taking into account the risks connected with further business development in foreign markets, the Parent Company's management has doubts relative to certain tax credits of foreign operations and whether their respective profits will make it possible to settle the tax losses. Therefore, no deferred tax assets connected with such tax loss in the amount of PLN 715 thousand as at 31 December 2018 and in the amount of PLN 1 052 thousand as at 31 December 2017.

UNRECOGNIZED TAX LOSSES AVAILABLE FOR USE (IN PLN'000)	31.12.2018	31.12.2017
until the end of 2018	–	278
until the end of 2019	110	107
until the end of 2020	122	119
until the end of 2021	26	25
until the end of 2023	4	–
no limit	453	523
Total unrecognized tax losses available for use	715	1 052

30.2.2 Recognized deferred tax asset relating to tax losses

Balance of deferred tax asset relating to tax losses

RECOGNIZED TAX LOSSES TO BE UTILIZED (IN PLN'000)	31.12.2018	31.12.2017
Deferred tax on tax losses	9 271	10 145

As at 31 December 2018 the Company established deferred tax assets with regard to tax losses to be settled in future periods in the total amount of PLN 9 271 thousand (as at 31 December 2017: PLN 10 145 thousand). The management believes that due to dynamic development of business and growth of sales in foreign markets, the Company may generate taxable income in future periods, and tax losses will be settled accordingly.

Deferred tax losses may be utilised over an unlimited period in Germany, France and in Great Britain. Forecasted results of these branches and subsidiary, their margins and development plans assume an effective settlement of losses in the future.

30.2.3 Deferred income tax assets and deferred income tax provision

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

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

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

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

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

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

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

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
Deferred income tax assets included directly in the equity:			
Separate equity of branches	–	14	14
Total deferred income tax assets included directly in the equity	–	14	14

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

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

Geographical division of deferred income tax assets

(IN PLN'000)	31.12.2018	31.12.2017
Deferred income tax assets		
Central and Eastern Europe	98	100
- including Poland	–	–
Western Europe	9 289	10 172
- including Spain	–	–
Latin America and Turkey	158	225
Total deferred income tax assets	9 545	10 497

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2018:

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	6 607	19 464	–	12 857
Czech Republic	52	–	52	–
Slovakia	46	–	46	–
Germany	2 808	–	2 808	–
France	4 591	–	4 591	–
Great Britain	1 890	–	1 890	–
Turkey	39	–	39	–
Chile	260	141	119	–
Total	16 293	19 605	9 545	12 857

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2017:

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

31. Related party transactions

31.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 31 December 2018 it holds 66,99% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

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

31.2 Figures concerning related party transactions

As at 31 December 2018 the Group has liabilities to Mr Jakub Zabłocki in the amount of PLN 426,99 due to his investment account. As at 31 December 2017 the Group had no settlements with related parties. In the period from 1 January to 31 December 2018 the Group noted profit in the amount of PLN 34,13 resulting from transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 31 December 2018 the paid gross salary and bonuses amounted to PLN 1 403 thousand and in the analogical period of 2017 amounted to PLN 1 086 thousand.

31.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Benefits to the Management Board members	(2 582)	(2 863)
Benefits to the Supervisory Board members	(140)	(79)
Total benefits to the Management Board and Supervisory Board	(2 722)	(2 942)

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

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 23 of the consolidated financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 404 thousand.

Members of the Management Board of the Parent Company, within the framework of the Options Program described in note 31.4 of the consolidated financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand.

31.4 Share-based payments

The program of allocating options was terminated in 2017. Pursuant to the Shareholders Agreement of the Parent Company of 28 March 2011, the Parent Company introduced an incentive scheme for the key employees, who received the right to shares of the Company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the program depends on individual targets set for the employees in relation to the results of the Company in specific years. The scheme covers the years 2011-2014. For 2011, rights to shares were acquired by three employees in the amount of 177 025 items, for 2012, one employee acquired rights to shares in the amount of 41 245 items, for 2013, one employee acquired rights to shares in the amount of 123 370 items and for 2014 and 2015, according to the best knowledge of the Company's Management Board, no employee will acquire rights to shares. In total, the employees acquired 341 640 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462 thousand. The vesting period expired in 2015. Depending on individual contracts, the shares can be acquired starting from 2014 based on the participation rules specified in the Options Program.

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

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

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

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

Unrealized rights to shares

	31.12.2018	31.12.2017
Unrealized rights to shares as at the beginning of the period	–	84 805
Realized rights to shares	–	(84 805)
Unrealized rights to shares as at the end of the period	–	–

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

31.5 Loans granted to the Management and Supervisory Board Members

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

32. Remuneration of audit companies

REMUNERATION OF THE AUDIT COMPANIES DUE FOR THE FINANCIAL YEAR (IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Statutory audit of standalone and consolidated financial statements	354	334
Audit of financial statements as at 30 September 2018 for the purposes of advance dividend payment	213	–
Review of half-year standalone and consolidated financial statements	122	122
Statutory audit of annual financial statements of branch offices	58	59
Other certifying services	100	30
Statutory audit of annual financial statements of subsidiaries	259	243
Total remuneration of the audit companies	1 106	788

The above amounts due to the audit companies include the non-deductible VAT tax.

33. Employment

The average number of employees in the Group was 391 persons in 2018 and 388 persons in 2017.

34. Supplementary information and explanations to the cash flow statement

34.1 Change in the balance of other liabilities

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Change in other liabilities	1 868	(780)
Payment of finance lease liabilities	91	130
Change in the balance of other liabilities	1 959	(650)

34.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2018	31.12.2017
Change in the balance of differences from the conversion of branches and subsidiaries	(5 573)	(10 961)
Change in the balance of financial instruments available for sale	–	43
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	15	141
Change in other adjustments	(5 558)	(10 777)

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.

35. Post balance sheet events

Not applicable.

36. Off-balance sheet items

36.1 Nominal value of financial instruments

(IN PLN'000)	31.12.2018	31.12.2017
Index CFDs	1 190 515	2 330 361
Currency CFDs	1 132 137	1 324 424
Commodity CFDs	276 772	420 791
Stock CFDs	65 232	127 443
Bond CFDs	15 814	23 761
Stock	5 292	22 967
Total financial instruments	2 685 762	4 249 747

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

36.2 Customers' financial instruments

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

(IN PLN'000)	31.12.2018	31.12.2017
Listed stocks and rights to stocks registered in customers' securities accounts	36 872	83
Other securities registered in customers' securities accounts	207	329
Total customers' financial instruments	37 079	412

36.3 Transaction limits

Unused transaction limits granted:

(W TYS. PLN)	31.12.2018	31.12.2017
Institutional clients	6 665	2 055
Other	2	10
Total unused transaction limits granted	6 667	2 065

37. Items regarding the compensation scheme

(IN PLN'000)	31.12.2018	31.12.2017
1. Contributions made to the compensation scheme		
a) opening balance	3 285	2 687
- increases	*702*	*598*
b) closing balance	3 987	3 285
2. XTB's share in the profits from the compensation scheme	260	213

38. Capital management

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

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

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

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

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

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

The principles of calculation of own funds are established in the CRR resolution, "The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A." and are not regulated by IFRS. The Parent Company calculated equity in accordance with part two of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR"). At present, the total equity of the Group belongs to the best category – Tier 1.

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

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

Key values in capital management:

(IN PLN'000)	31.12.2018	31.12.2017
The Group's own funds	**378 393**	**317 344**
Tier I Capital	378 393	317 344
Common Equity Tier I capital	378 393	317 344
Total Group's risk exposure	**1 800 363**	**2 630 505**
Capital conservation buffer	33 757	32 881
Countercyclical capital buffer	1 180	3 100
Combined buffer requirement	**34 937**	**35 981**
Total capital ratio	**21,0%**	**12,1%**
Total capital ratio including buffers	**19,1%**	**10,7%**

The mandatory capital adequacy was not breached in the periods covered by the 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 31.12.2018	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2017
1. Capital/Own funds	378 393	361 820	317 344
1.1. Base capital/Common Equity Tier I without deductions	411 774	367 406	324 868
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–
1.3. Items decreasing share capitals	(33 381)	(5 586)	(7 524)
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	378 393	361 820	317 344
1. Market risk	78 012	97 975	138 118
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	3 828	7 141	10 998
3. Credit risk	22 260	20 669	21 151
4. Operating risk	39 929	40 086	40 172
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A
IIa. Overall capital requirement	144 029	165 871	210 439
IIb. Total risk exposure	1 800 363	2 073 382	2 630 505
Capital conservation buffer	33 757	38 876	32 881
Countercyclical capital buffer	1 180	1 831	3 100
Combined buffer requirement	34 937	40 707	35 981

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.

39. Risk management

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

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

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

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

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

39.1 Fair value

39.1.1 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.

39.1.2 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)	31.12.2018			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	5 293	108 986	–	114 279
Total financial assets	5 293	108 986	–	114 279
Financial liabilities				
Financial liabilities held for trading	–	28 227	–	28 227
Total financial liabilities	–	28 227	–	28 227

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

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 Group. The valuation is performed using closing prices or the last bid and ask prices. CFDs are measured as the difference between the current price and the opening price, taking account of accrued commissions and swap points.

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

39.2 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 Company's practice in this area is consistent with the following principles.

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

39.2.1 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 December 2018

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	33 182	97 246	6 464	18 860	3 320	3 099	25 696	187 867	467 987
Customers' cash and cash equivalents	27 339	191 230	5 873	33 242	3 245	5 195	5 947	272 071	363 908
Financial assets at fair value through P&L	11 840	55 252	1 531	10 295	1 018	2 541	2 608	85 085	114 279
Income tax receivables	–	–	–	60	–	–	213	273	3 068
Financial assets at amortised cost	525	2 846	31	128	7	191	256	3 984	5 005
Prepayments and deferred costs	295	212	363	133	–	73	20	1 096	3 049
Intangible assets	–	11	–	26	–	–	11	48	716
Property, plant and equipment	–	581	63	202	–	20	129	995	2 517
Deferred income tax assets	–	7 445	1 890	52	–	–	158	9 545	9 545
Total assets	73 181	354 823	16 215	62 998	7 590	11 119	35 038	560 964	970 074
Liabilities									
Amounts due to customers	34 143	229 258	6 925	42 293	3 996	7 732	7 766	332 113	447 841
Financial liabilities held for trading	4 769	14 904	445	1 566	198	80	708	22 670	28 227
Income tax liabilities	59	138	–	–	–	–	34	231	232
Other liabilities	1 246	6 499	2 811	1 342	–	398	1 586	13 882	23 781
Provisions for liabilities	–	–	–	–	–	–	931	931	1 980
Deferred income tax provision	–	–	–	–	–	–	–	–	12 857
Total liabilities	40 217	250 799	10 181	45 201	4 194	8 210	11 025	369 827	514 918

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

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

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)	TWELVE-MONTH PERIOD ENDED			
	31.12.2018		31.12.2017	
	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	14 561	(14 561)	1 448	(1 448)
Equity, of which:	3 346	(3 346)	3 236	(3 236)
Foreign exchange differences on translation	3 346	(3 346)	3 236	(3 236)

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

39.2.2 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)	31.12.2018	31.12.2017
Financial assets		
Cash and cash equivalents	831 895	745 567
Total financial assets	831 895	745 567
Financial liabilities		
Amounts due to customers	36 430	64 824
Other liabilities	37	128
Total financial liabilities	36 467	64 952

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 2018 and 2017, using the average 1M interest rate in a given market.

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED 31.12.2018 INCREASE BY 50 PB	31.12.2018 DECREASE BY 50 PB	31.12.2017 INCREASE BY 50 PB	31.12.2017 DECREASE BY 50 PB
Profit/(loss) before tax	3 979	(3 979)	3 182	(3 182)

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

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

39.2.3 Other price risk

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

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

(IN PLN'000)	31.12.2018	31.12.2017
Financial assets at fair value through P&L		
Commodity		
Precious metals	3 758	2 142
Base metals	371	776
Other	12 562	11 018
Total commodity	16 691	13 936
Equity instruments		
Stocks	13 461	28 153
Indicies	62 244	56 062
Total equity instruments	75 705	84 215
Debt instruments	295	92
Total financial assets at fair value through P&L	92 691	98 243
Financial liabilities held for trading		
Commodity		
Precious metals	1 737	1 080
Base metals	67	43
Other	1 750	3 075
Total commodity	3 554	4 198
Equity instruments		
Stocks	2 044	2 588
Indicies	17 582	11 826
Total equity instruments	19 626	14 414
Debt instruments	22	52
Total financial liabilities held for trading	23 202	18 664

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

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED			
	31.12.2018		31.12.2017	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(1 091)	1 091	(1 980)	1 980
Base metals	(64)	64	220	(220)
Other	(5 036)	5 036	(2 329)	2 329
Total commodity	(6 191)	6 191	(4 089)	4 089
Equity instruments				
Stocks	15	(15)	(312)	312
Indicies	(8 648)	8 648	(17 924)	17 924
Total equity instruments	(8 633)	8 633	(18 236)	18 236
Debt instruments	523	(523)	469	(469)
Total income/(expenses) for the period	(14 301)	14 301	(21 856)	21 856

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

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

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

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

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

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

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

Contractual payment periods of financial assets and liabilities as at 31 December 2018

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	831 895	831 895	831 895	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	5 293	5 293	5 293	–	–	–	–
CFDs	108 986	108 986	108 986	–	–	–	–
Total financial assets at fair value through P&L	114 279	114 279	114 279	–	–	–	–
Financial assets at amortised cost	5 005	5 005	3 266	–	1 739	–	–
Total financial assets	951 179	951 179	949 440	–	1 739	–	–
Financial liabilities							
Amounts due to customers	447 841	447 841	447 841	–	–	–	–
Financial liabilities held for trading							
CFDs	28 227	28 227	28 227	–	–	–	–
Total financial liabilities held for trading	28 227	28 227	28 227	–	–	–	–
Other liabilities	23 781	23 781	11 506	10 318	–	–	1 957
Total financial liabilities	499 849	499 849	487 574	10 318	–	–	1 957
Contractual liquidity gap in maturities (payment dates)			461 866	(10 318)	1 739	–	(1 957)
Contractual cumulative liquidity gap			461 866	451 548	453 287	453 287	451 330

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

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

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

39.4 Credit risk

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

(IN PLN'000)	31.12.2018 CARRYING AMOUNT	31.12.2018 MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2017 CARRYING AMOUNT	31.12.2017 MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets				
Cash and cash equivalents	831 895	831 895	745 567	745 567
Financial assets at fair value through P&L *	114 279	10 652	127 944	13 063
Financial assets available for sale	N/A	N/A	147	147
Financial assets at amortised cost	5 005	5 005	4 009	4 009
Total financial assets	951 179	847 552	877 667	762 786

** As at 31 December 2018 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 108 875 thousand (2017: PLN 101 566 thousand). This exposure was collateralised with customers' cash, which, as at 31 December 2018, covered the amount of PLN 87 087 thousand (2017: PLN 88 412 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

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

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

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

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and customers' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 31 December 2018, the Group had deposit accounts in 43 banks and institutions (2017: in 40 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	31.12.2018 (IN PLN'000)	ENTITY	31.12.2017 (IN PLN'000)
Bank 1	229 570	Bank 1	229 229
Bank 2	153 960	Bank 2	108 812
Bank 3	104 553	Bank 3	86 083
Bank 4	65 552	Bank 4	77 019
Bank 5	41 704	Bank 5	41 163
Bank 6	33 141	Bank 6	28 635
Bank 7	29 944	Bank 7	25 291
Bank 8	27 615	Bank 8	23 946
Bank 9	21 661	Bank 9	22 026
Bank 10	17 029	Bank 10	13 976
Other	107 166	Other	89 387
Total	831 895	Total	745 567

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) 31.12.2018	31.12.2017
Cash and cash equivalent		
Step 1	743 485	657 250
Step 2	2 603	1 626
Step 3	60 530	77 364
Step 4	23 380	9 327
Step 5	1 897	–
Total	831 895	745 567

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 50 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets 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):

ENTITY	31.12.2018 NET EXPOSURE (IN PLN'000)	ENTITY	31.12.2017 NET EXPOSURE (IN PLN'000)
Entity 1	2 595	Entity 1	2 076
Entity 2	654	Entity 2	1 340
Entity 3	595	Entity 3	713
Entity 4	537	Entity 4	703
Entity 5	504	Entity 5	675
Entity 6	444	Entity 6	433
Entity 7	356	Entity 7	416
Entity 8	320	Entity 8	383
Entity 9	281	Entity 9	238
Entity 10	212	Entity 10	234
Total	6 498	Total	7 211

Other receivables

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

Warsaw, 7 March 2019

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

Ewa Stefaniak

The person responsible for bookkeeping

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP AND COMPANY

1. Basic information

1.1 General information

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

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 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.

Company's shares have been listed on the main market of the Warsaw Stock Exchange.

The foregoing Management Board report on the operations of X-Trade Brokers Dom Maklerski S.A. Capital Group for 2018 includes disclosure requirements for the report on the operations of the Company X-Trade Brokers Dom Maklerski S.A. pursuant to §71 item 8 of the ordinance of Minister of Finance dated 29 March, 2018 on current and periodic information published by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state.

1.2 Synthetic summary of data concerning the Company and the Capital Group for the years 2015-2018

		2018	2017	2016	2015
Selected consolidated financial data					
Total operating income	*mm PLN*	288	274	251	283
Net profit	*mm PLN*	101	93	78	119
Balance sheet total	*mm PLN*	970	898	797	727
Own cash and cash equivalents	*mm PLN*	468	367	291	325
Equity	*mm PLN*	455	400	356	374
Earnings per share (EPS)[1]	*PLN*	0,86	0,79	0,66	1,01
The market value of the Company shares[2]	*PLN*	4,40	4,47	6,97	na
Aggregate capital adequacy ratio, including buffers	*%*	19,1	10,7	16,3	14,5
Selected separate financial data					
Total operating income	*mm PLN*	267	252	211	246
Net profit	*mm PLN*	91	87	73	115
Balance sheet total	*mm PLN*	928	853	775	722
Own cash and cash equivalents	*mm PLN*	413	323	234	276
Equity	*mm PLN*	463	413	364	382
Earnings per share (EPS)[1]	*PLN*	0,77	0,74	0,62	0,98
Standalone capital adequacy ratio, including buffers	*%*	20,0	10,9	15,7	13,3
Economic data (average)					
Exchange rate	*EUR/PLN*	4,26	4,26	4,36	4,18
Exchange rate	*USD/PLN*	3,61	3,78	3,94	3,77

[1]) Attributable to shareholders of the Parent Company.
[2]) At the end of th period.

1.3 Significant events in 2018 and until the date of the report

Calendar

7 MARCH
resignation of Michał Kędzia as a Member of the Supervisory Board and appointment of Marek Strugała as a Member of the Supervisory Board

25 APRIL
resignation of Paweł Frańczak as a Member of the Management Board

29 AUGUST
conditional appointment of Andrzej Przybylski as a Member of the Management Board for Risk
(as soon as the Polish Financial Supervision Authority shall provide its consent)

17 OCTOBER
appointment of the existing supervising persons (Jarosław Jasik, Łukasz Baszczyński and Bartosz Zabłocki) for the members of the Supervisory Board for the next 3 years

7 NOVEMBER
selection of the firm PwC to audit financial statements for the years 2019-2020

18 DECEMBER
dividend advance payment in amount of PLN 41.1 mm

10 APRIL
the Ordinary General Meeting of the Company

10 JULY
appointment of Jakub Kubacki as a Member of the Management Board for Legal Affairs

18 SEPTEMBER
imposition of fine by the Polish Financial Supervision, which in the Company's opinion is unjustified and it was appealed to Provincial Administrative Court

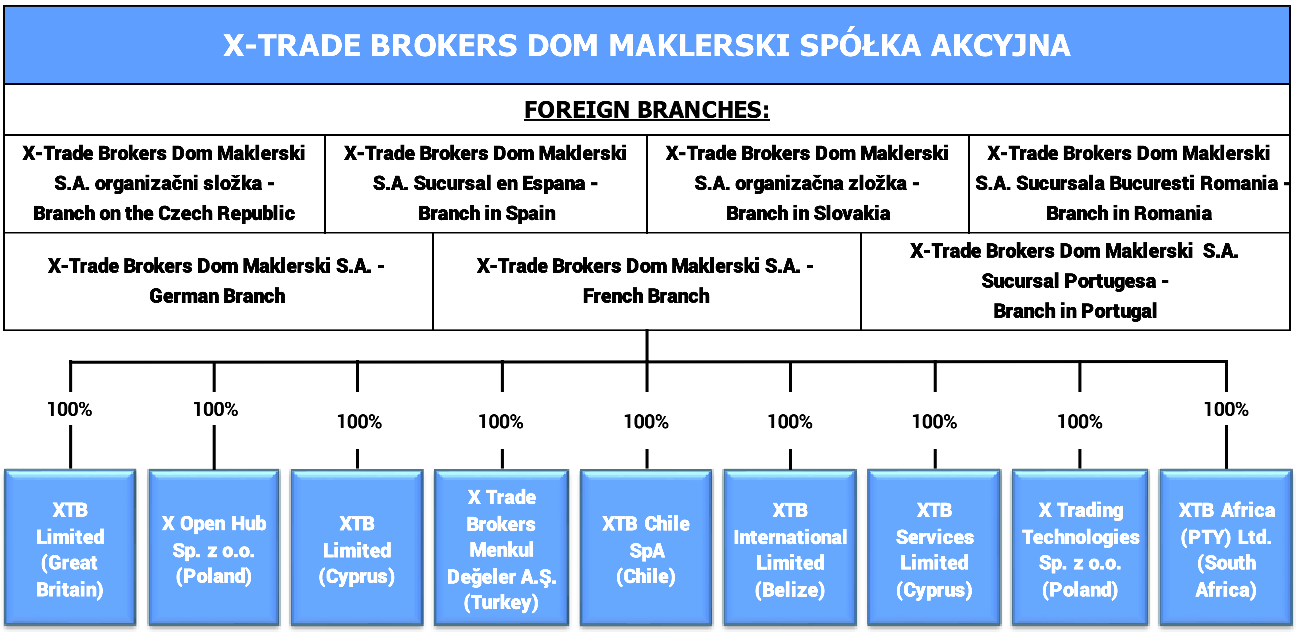
25 OCTOBER
appointment of Jakub Leonkiewicz to the position of the Chairman of the XTB Supervisory Board for the next 3 years

9 NOVEMBER
appointment of Grzegorz Grabowicz to the position of the Member of the Supervisory Board

1.4 Composition of the Group

As at 31 December 2018 the Group comprised Parent Company and 9 subsidiaries. The Company has 7 foreign branches.

The chart below presents the corporate structure of the Group as at 31 December 2018, including Company's subsidiaries and foreign branches, together with the share in the share capital/in the number of votes at the general meeting or the meeting of shareholders to which the shareholders is entitled.



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

Subsidiaries

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

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

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

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

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

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

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

XTB Limited business comprises:

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

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

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

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

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

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

X Trade Brokers Menkul Değerler A.Ş., Turkey

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

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

On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate.

XTB Chile SpA, Chile

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

XTB International Limited, Belize

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

XTB Services Limited, Cyprus

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus. On 5 August 2017 the subsidiary changed its name to XTB Services Limited. The company provides marketing and marketing-sales services.

XTB Technologies Sp. z o.o. in liquidation

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

XTB Africa (PTY) Ltd., South Africa

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

1.5 Changes in the Group's structure

In the reporting period, i.e. from 1 January to 31 December of 2018 there were no changes in the X-Trade Brokers Dom Maklerski S.A. Group's structure, than described in point 1.4 Composition of the Group.

1.6 Branches of the Parent Company

The Company has 7 foreign branches, listed below:

- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačni složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102,
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A,
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačná 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 (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 under and was granted the following tax identification number PT980436613.

1.7 Organizational and capital ties

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. It holds, as at 31 December 2018, 66,99% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

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

Apart from the organization of the Group and the Parent Company described above, neither the Parent company nor any of the Group companies holds any shares in other undertakings which could materially impact the assessment of its assets and liabilities, financial condition and profits and losses.

1.8 Changes to the management principles of the Company and its Capital Grou

In the reporting period there were no changes in the management principles of the Company and its Capital Group.

2. The activities and development of the Parent Company and its Capital Group

2.1 Products and services

The Group is an international provider of trading and investment products, services and solutions, specialising in OTC markets with a particular focus on CFDs, which are investment products with returns linked to the changes in the prices and values of underlying instruments and assets. The Group operates in two segments: retail and institutional segment. The Group's retail operations mainly include online trading of derivatives based on assets and underlying instruments that are traded on the financial and commodity markets. Institutional customers of the Group offers technologies thanks to which they can offer their clients the possibility of trading in financial instruments under their own brand. The Group also acts as a liquidity provider for institutional clients.

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

- xStation
- MetaTrader 4 (MT4),

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

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

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

During the 2018, the Group continued the process of expanding the product offer. The purpose of these activities is to diversify the offer to meet the expectations of various groups of investors. The most important innovation was the introduction of a joint stock offer in March 2018, thanks to which investors with a higher risk aversion than CFD products can invest in stocks and ETFs from over a dozen global markets. This service was introduced on the xStation platform, which is still subject to improvements so that trade in financial instruments is as simple as possible, and the client has all the necessary information in one place, i.e. on the transaction platform. One of the examples of applications improving customer experience is the ETF Scanner introduced in the first quarter of 2018, which allows for a thorough fundamental analysis of funds traded on stock exchanges. In the third quarter of 2018, the platform was further improved by adding facilities related to account history, accounting reports and substantial descriptions of financial instruments. In the first quarter, XTB introduced a new refreshed investment offer on CFDs based on cryptocurrencies, which met with great interest of the Company's clients. XTB is constantly expanding the functionality of the xStation platform to meet the requirements of both CFD customers and a new group of share clients. In fourth quarter of 2018 the offered range was expanded and now it contains 25 CFDs based on cryptocurrencies.

XTB is constantly expanding the functionality of the xStation platform to meet the requirements of both CFD customers and a new group of share clients. In the second quarter of 2018, a business decision was made to cease offering the xSocial product. From the beginning of July, in relation to coming into force the product intervention by the European Securities and Markets Authority (ESMA) concern Binary Options, XTB ceased to offer this type of instruments to their clients.

As at the end of 2018, the Group offered almost 4 000 financial instruments from all over the world. This number included more than 1 700 CFDs with leverage, including approximately 50 instruments based on currency pairs, approximately 20 based on commodities, approximately 25 based on indices, approximately 1 600 based on shares of companies listed on stock exchanges in 12 countries and approximately 100 based on American and European ETFs. Second part of XTB's offer contains over 2 100 cash instruments, included almost 2 000 cash equities and 150 ETFs. Cash instruments were introduced to the offering in March 2018 and replaced the synthetic shares offered so far, ie equity CFDs without leverage. The group is constantly working on the development of its own xStation platform. The year 2018 mainly brought improvements to trade and trade reporting on cash instruments (equities and ETF) as well as the development of the analytical part of the platform. The Group is actively introducing new improvements to the transaction platform that make it more intuitive and easy to use.

The scope of business of individual Group companies was described in Section *1.4 Composition of the Group.*

2.2 Main operating markets and their segments

The Group conducts its operations through two business segments:

- retail segment
- institutional segment.

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

The Group operates on the basis of licences granted by regulators in Poland, the UK, Cyprus, Turkey and Belize. The Group's business is regulated and supervised by competent authorities on the markets on which the Group operates, including EU countries, where it operates on the basis of a single European passport. Currently, the Group is focusing on growing its business in 12 key countries, including Poland, Spain, the Czech Republic, Portugal, France and Germany and has prioritised Latin America as a region for future development.

On 10 February of 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. This decision has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity in Turkey. On 19 April 2018 the Management Board of Parent Company decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Parent Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate.

2.3 Events significantly influencing activities in 2018

Information about events and circumstances that had impact on the Company's and Group's operations in 2018 are presented in other parts of this report, in particular in note *3.2 Basic economic and financial information*. Apart from the events described in this report there were no other events which had significant impact on the Company's and the Group's activities in 2018.

2.4 Material contranct

In 2018, the Company and the Group companies did not enter into agreements material for XTB operations, different than described in this report, also the Company has no knowledge about contracts concluded between shareholders material for XTB operations.

2.5 Related party transactions

In the 12 months period ended 31 December 2018 and 31 December 2017 there were no related parties transactions concluded on other than arm's length basis.

Transactions and the balances of settlements with related parties were presented in detail in note 32 to the Separate Financial Statements.

2.6 Credits and loans

In the reporting period the Company and the Group companies did not execute or terminate any loan agreements.

In 2018 the Company and Group companies did not grant any loans.

2.7 Sureties and guarantees

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

In 2015 the Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 959 thoisand.

On the 30 June 2016 the 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. Agreement ends in 2019.

On 7 July 2017, the Parent Company granted a surety of PLN 5 268 thousand to secure the agreement concluded by the subsidiary XTB Limited with its registered office in the United Kingdom and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in the United Kingdom. The guarantee was granted for the duration of the main contract, which was concluded for a period of 3 years with the possibility of further extension.

Apart from described above, in 2018 XTB did not grant and did not receive other sureties and guarantees.

2.8 Post balance sheet events

After the end of the reporting period and before the date of publication of this report did not take place post balance sheet events.

2.9 External and internal factors important for the development of the Company and the Group

2.9.1 The number of active accounts, transaction volumes and deposit amounts

The Group's revenue and its results of operations are directly mostly depended on the volume of transactions concluded by the Group's clients and the amount of deposits placed by them. The transaction volumes and deposit amounts depend, in turn, on the number of new active accounts and the number of active clients.

Net deposits placed by retail clients comprise deposits less the amounts withdrawn by the Group's clients in a given period. The level of net deposits defines the ability of the Group's clients to execute transactions in derivatives offered by the Group, which affects the level of the Group's transaction volumes.

2.9.2 Revenues of the Company and the situation on the financial and commodity markets

The Group's revenue depends directly on the volume of transactions concluded by the Group's clients and profitability per lot which in turn is correlated with the general level of transaction activity on the FX/CFD market.

As a rule, the Group's revenues are positively affected by higher activity of financial markets due to the fact that in such periods a higher level of turnover is realized by the Group's customers and higher profitability on lot. The periods of clear and long market trends are favorable for the Company and it is at such times that it achieves the highest revenues. Therefore, high activity of financial and commodity markets leads, as a rule, to an increased volume of trading on the Group's trading platforms. However, the decline in this activity and related with this decrease in transaction activity of the Group's clients, it leads in principle to a decrease in the Group's operating income. Due to the above, the Group's operating income and profitability may decline in periods of low activity of financial and commodity markets. In addition, there may be a more predictable trend in which the market moves in a limited price range. This leads to market trends that can be predicted with a higher probability than in the case of larger directional market movements, which creates favorable conditions for transactions concluded in a narrow range of the market (range trading). In this case, a greater number of transactions that bring profits to customers is observed, which leads to a decrease in the Group's result on market making.

The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions.

2.9.3 General market, geopolitical and economic conditions

Changes in the general market and economic situation in the regions, in which the Group operates, to some extent affect the general buying power of the Group's clients, as well as their readiness to spend or save, which in turn to some extent affects the demand for the Group's products and services.

Unfavourable trends in the global economy may limit the level of disposable income of the Group's clients and induce them to limit their activity on the FX/CFD market, which may, in turn, reduce the volume of transactions in financial instruments offered by the Group and result in a drop in the Group's operating income.

2.9.4 Competition on the FX/CFD market

The FX/CFD market, both globally and in Poland, is characterised by high competitiveness. The Group competes with local entities (mainly brokerage houses being a part of or owned by commercial banks), local or Western European licenced institutions (such as Saxo Bank and IG Group) and other entities, both licenced and non-licenced which gain clients through the Internet (such as Plus500).

These entities compete with one another in terms of product and service prices, advanced technological solutions and brand strength. Activities undertaken by the Group and its competition affect the Group's competitive position and its share in the FX/CFD market. To maintain and expand its position in the markets in which it operates, the Group is investing in marketing activities.

In addition, the Group's ability to strengthen the current competitive position in the markets in which it operates, depends on many factors beyond the control of the Group, including in particular the recognition of the brand and the Group's reputation, attractiveness and quality of products and services offered by the Group as well as the functionality and quality of its technological infrastructure.

Moreover, results of operations depend to some extent on the level of spreads in the derivatives CFD. Increased competition in the market FX / CFD leads to a reduction in spreads in derivative transactions CFD. Smaller spreads and increased competition may reduce the revenues and profitability of the *market making* business model.

2.9.5 Regulatory environment

The Group operates in a strictly regulated environment that places specific significant obligations on the Group within the scope of a number of international and local regulations and provisions of applicable law. Among others, the Group is subject to regulations relating to.:

- sales practices, including gaining of clients and marketing activities;
- maintaining capital at a specified level;
- anti-money laundering and preventing the financing of terrorism practices and "know your client" procedures (KYC);

- reporting obligations towards regulators;
- personal data protection and professional confidentiality obligations;
- obligations concerning investor protection and providing them with the relevant data on risks related to the brokerage services provided;
- supervision over the Group's operations.

The Group is subject to supervision by specific regulatory authorities and public administration authorities in jurisdictions in which the Group operates. In Poland, the conduct of brokerage activities requires a licence from the PFSA and is subject to a number of regulatory requirements. The Company is a brokerage house operating based on a licence for the conduct of brokerage activities and is subject to regulatory supervision by the PFSA.

Thanks to the "single passport" rule arising from the MiFID II Directive, the Company operates as a branch based on and as part of the licence granted by the PFSA in the following member states of the EU: the Czech Republic, Spain, Slovakia, Romania, Germany, France and Portugal.

Moreover, the Company and XTB Limited, subject to the supervision by the FCA, conduct cross-border operations without establishing a branch (the MiFID Outward Service) in a number of jurisdictions, focusing mainly on the Italian and Hungarian markets. The Company also conducts cross-border operations in Austria, Belgium, Bulgaria, Greece, the Netherlands, Sweden, Italy, Hungary and the United Kingdom. Moreover, the cross-border operations of XTB Limited without establishing a branch (the MiFID Outward Service) cover all the remaining member states of the EU and Gibraltar, Iceland and Norway.

Additionally, the Company has a 100% interest in the following entities operating based on separate licences for the conduct of brokerage activities issued by the supervision authorities in foreign jurisdictions:

- XTB Limited – a brokerage house registered in the United Kingdom subject to supervision by the FCA,
- XTB Limited (formerly: DUB Investments Ltd.)– an investment firm conducting brokerage activities registered in Cyprus and subject to supervision by the CySEC,
- X Trade Brokers Menkul Değerler A.Ş – a company conducting brokerage activities, registered in Turkey and subject to supervision by Capital Markets Board of Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate,
- XTB International Limited – the company provides brokerage services based on the obtained permission issued by the International Financial Service Commission,

The Group has created a compliance (compliance in law) function for each Group Company to ensure compliance with the regulatory and regulatory requirements to which the Group is subject.

The regulatory environment in which the Group operates is constantly evolving. In recent years, the financial services industry has been subject to increasingly comprehensive regulatory oversight. The supervisory and public administration authorities regulating and supervising the Group's activities introduced a number of changes in the regulatory requirements to which the Group is subject and may undertake additional initiatives in this area in the future.

2.10 The Group's activities in 2018 and development outlook

The Group's strategy is to actively strengthen its position as an international supplier of technologically advanced products, services and solutions in the field of trading in financial instruments mainly in the EU and Latin America by increasing brand recognition, acquiring new clients for its transaction platforms and building a long-term investment profile and customer loyalty. The Group's strategic plan includes supporting growth through expansion into new markets, further penetration of existing markets, expansion of the Group's product and service offer as well as the development of the institutional segment of operations (X Open Hub).

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

The Management Board's plans for the forthcoming periods assume the development of the Group, in particular through the expansion of the client base and product offer, further penetration of existing markets and geographical expansion into markets of Latin America, Africa and Asia. He intends to strive to build shareholder value with determination. Due to the current low pricing of the Company, the Management Board withheld the work on consolidation of the market through mergers and acquisitions, focusing more on organic growth.

The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. On the one hand, there is a temporary drop in trade volumes among European brokers. On the other hand, the Management Board of XTB is convinced of the business's vitality over a longer time horizon. It seems likely that clients gradually adjust their trading strategies to a lower level of financial leverage. Maintaining the ESMA decision in time should lead to a wave of consolidation in the market and allow XTB to consolidate its strong position on the European market.

In 2018, the Group, consistently pursuing its strategic assumptions, expanded its offer by CFD based on cryptocurrencies and on cash indexes. In addition, a new range of equity instruments with a lever was also made available. In order to better protect retail clients, the Company decided to introduce a protection service against the negative balance of the client's account. In 2017, the method of collecting a security deposit was changed completely by introducing a mechanism based on the nominal exposure of the customer's account.

The Group consistently implemented in its branches modern tools for comprehensive management of customer relations from the moment of obtaining contact through the stages of further service, to signing the contract and maintaining the after-sales relationship. The tools allow for reporting and analysis, giving a better understanding of users and clients, which allows to optimize the cost of customer acquisition and retention, which translates into a better-matched offer and faster implementation of customer instructions.

The Group continued the process of investor education by organizing free workshops and conferences as well as providing access to educational materials for both beginners and more experienced investors

In 2019, the Group will undertake further actions aimed at implementing the Strategy presented above.

3. Operating and financial situation

3.1 Principles of preparation of annual financial statements

Consolidated and separate financial statements were prepared based on International Financial Reporting Standards (IFRS), which were endorsed by the European Union

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

The separate financial statements of the X–Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2018 to 31 December 2018 with comparative data for the year ended 31 December 2017 cover the Company's financial data and financial data of the foreign branch offices.

The consolidated and separate financial statements have been prepared on the historical cost basis, with the exception of financial assets at fair value through P&L and financial liabilities held for trading 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 consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with the IFRS.

Drafting this consolidated financial statements, the Parent Company decided that none of the Standards would be applied retrospectively.

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

3.2 Basic economic and financial information

3.2.1 Basic consolidated economic and financial information

The Group's operating and financial results are mainly affected by:

- the number of active accounts, transaction volumes and deposit amounts,
- volatility on financial and commodity markets,
- general market, geopolitical and economic conditions,
- competition on the FX/CFD market,
- regulatory environment.

The key factors affecting the Group's financial and operating results in the 12 months period ended 31.12.2018 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.

Description of the Group's results in 2018

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

(IN PLN'000)	12 MONTHS PERIOD ENDED		CHANGE %
	31.12.2018	31.12.2017	
Result of operations on financial instruments	281 473	269 188	4,6
Income from fees and charges	6 651	4 457	49,2
Other income	177	122	45,1
Total operating income	288 301	273 767	5,3
Salaries and employee benefits	(78 478)	(73 150)	7,3
Marketing	(33 322)	(24 841)	34,1
Other external services	(24 909)	(21 943)	13,5
Costs of maintenance and lease of buildings	(7 815)	(7 934)	(1,5)
Amortisation and depreciation	(3 931)	(6 054)	(35,1)
Taxes and fees	(2 340)	(2 059)	13,6
Commission expenses	(7 627)	(5 964)	27,9
Other expenses	(14 070)	(3 552)	296,1
Total operating expenses	(172 492)	(145 497)	18,6
Operating profit	115 809	128 270	(9,7)
Impairment of intangible assets	-	(5 612)	(100,0)
Finance income	9 083	6 318	43,8
Finance costs	(221)	(14 291)	(98,5)
Profit before tax	124 671	114 685	8,7
Income tax	(23 200)	(21 712)	6,9
Net profit	101 471	92 973	9,1

In 2018, XTB reported PLN 101 471 thousand of consolidated net profit compared to PLN 92 973 thousand profit a year earlier. This is an increase of PLN 8 498 thousand ie. 9.1%. Operating profit (EBIT) decreased y/y by PLN 12 461 thousand 9.7% to PLN 115 809 thousand. Consolidated revenues amounted to PLN 288 301 thousand to PLN 273 767 thousand a year earlier.

Operating income

The Group's income is primarily derived from its retail activities and consists of:

- spreads (the difference between the offer price and the bid price),
- net result (profits offset by losses) from the Group's market making activities,
- fees and commissions charged by the Group to its clients,

- swap points charged by the Group (being the difference between the notional forward rate and the spot rate of a given financial instrument).

In 2018 the retail business segment generated approximately 93% of the total volume of the Group's turnover and the institutional business segment – approximately 7%.

The revenues in 2018 increased by 5.3% y/y ie. PLN 14 534 thousand from PLN 273 767 thousand to PLN 288 301thousand. In the I half of 2018 XTB noted a record revenues (PLN 197 937 thousand), which resulted from the constantly growing customer base, clear trends in the financial markets, relatively high profitability per lot (an average of PLN 153) and significant customer activity expressed in the number of contracts in lots (1 291 426 lots). II half of 2018 brought reduction of revenues to the level of PLN 90 364 thousand, calmer situation in the financial markets, decreased profitability per lot (an average of PLN 116) and a decline of trading lots volume to 803 987 lots. One of the relevant factors which determined the level of revenues of XTB in 2018 was the product intervention of the European Securities and Markets Authority (ESMA) coming into force in August, which in case of the retail clients limited maximum permitted level of leverage for CFDs up to 30:1 for major currency pairs and 20:1 for non-majors currency pairs, gold and major indices. Intervention was initially implemented for the period of three months with possibility of further extension. At present, it is known that the intervention will remain in force at least till April, 2019.

	12 MONTHS PERIOD ENDED				
	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Total operating income	288 301	273 767	250 576	282 542	204 434
Transaction volume in CFD instruments in lots[1]	2 095 412	2 196 558	2 015 655	2 443 302	1 986 639
Profitability per lot (in PLN)[2]	138	125	124	116	103

[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.

	THREE-MONTH PERIOD ENDED							
	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
Total operating income (IN PLN'000)	42 786	47 578	84 200	113 737	75 460	73 063	66 526	58 718
Transaction volume in CFD instruments in lots[1]	458 869	345 118	616 082	675 344	618 893	523 769	513 814	540 082
Profitability per lot (in PLN)[2]	93	138	137	168	122	139	129	109

[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.

Although in quarterly terms, the revenues of the XTB Group are subject to significant fluctuations, which is a phenomenon typical of the XTB business model, then in a longer time horizon, which is a year, they take on more stable and comparable values to those from historical years.

XTB has a solid basis for growth in the form of constantly growing customer base and number of active clients. In 2018 Group canvassed 20 672 new clients, it's increase by 9.3% y/y. The average number of active clients was higher by 2 612, ie. 14.0% y/y. In IV quarter 2018 XTB noted a record number of new clients in relation to previous quarters.

	PERIOD ENDED							
	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
New clients[1]	5 742	4 884	4 734	5 312	6 582	4 201	3 860	4 270
Average number of active clients[2]	21 279	21 515	22 135	22 317	18 667	17 920	17 748	17 959
New accounts[3]	13 930	11 758	11 321	12 731	16 530	11 278	9 635	13 280
Average number of active accounts[4]	22 528	24 032	24 918	25 279	21 088	20 194	20 016	20 408

[1]) The number of new Group's clients in the individual periods..
[2]) The average quarterly number of clients respectively for 12, 9, 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017.
[3]) The number of accounts opened by the Group's clients in the individual periods.
[4]) The average quarterly number of accounts respectively for 12, 9, 6, 3 months of 2018 and 12, 9, 6, 3 months of 2017.

In 2018, XTB continued implementation of optimized sales and marketing strategy and introduced new products such as shares and ETFs from the largest stock exchanges in Europe and the United States. Expanding XTB's offer is a reaction to clients changing investment preferences, which include the increasing popularity of shares and ETFs. XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyzes other possibilities of expanding the product offer, which could cause the introduction of new products in 2019.

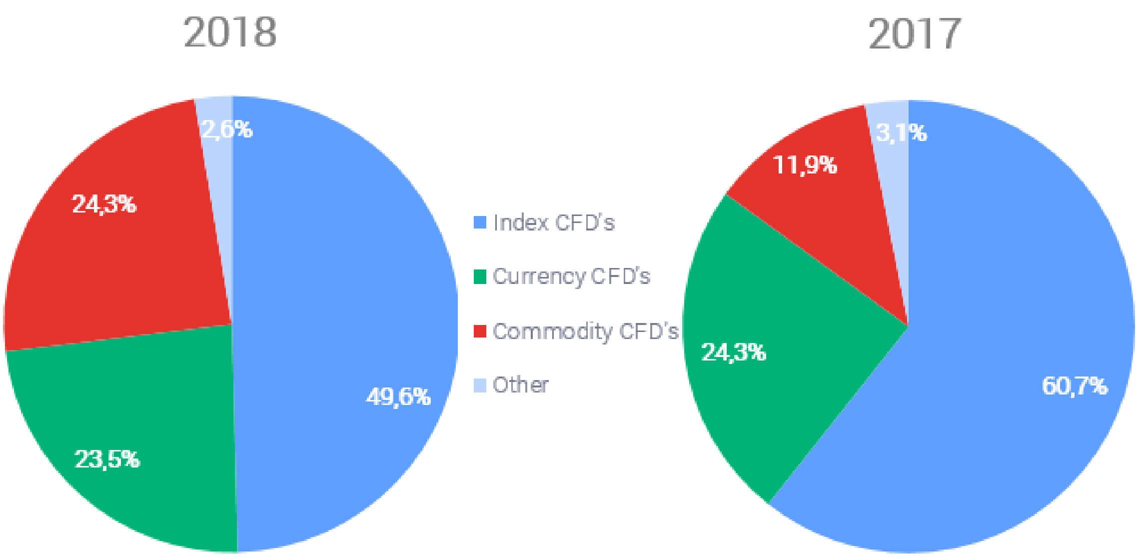
In 2019 the Management Board will strive to growing customer base. The Management sees the greatest growth potential in the German, French and Latin American market.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that similar as in 2017, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in 2018 reached 49.6% against 60.7% year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30) and the US indices US100, US30, US500. The second most-profitable class of assets were CFD commodities. Their share in the structure of revenues on financial instruments in 2018 reached 24.3% (2017: 11.9%).The most lucrative instrument among customers was CFD based on quotations of the contract for oil and gold. Revenues on CFD instruments based on currency pairs amounted to 23.5% of total revenues against 24.3% a year earlier. Among this class of instruments, the USDTRY currency pair was the most popular between XTB clients.

The result of operations on financial instruments

(IN PLN'000)	12 MONTHS PERIOD ENDED 31.12.2018	31.12.2017	CHANGE %
Index CFDs	141 924	168 852	(15,9)
Currency CFDs	67 192	67 659	(0,7)
Commodity CFDs	69 499	33 098	110,0
Equity CFDs	2 878	1 899	51,6
Bond CFDs	589	(83)	(809,6)
Total CFDs	282 082	271 425	3,9
Total options	3 947	6 884	(42,7)
Stocks	99	-	-
Gross gain on transactions in financial instruments	286 128	278 309	2,8
Bonuses and discounts paid to customers	(3 363)	(3 421)	(1,7)
Commission paid to cooperating brokers	(1 292)	(5 700)	(73,5)
Net gain on transactions in financial instruments	281 473	269 188	4,2

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



Geographically, XTB revenues were well diversified. In 2018 their growth has occurred in both, Central and Eastern Europe, Western Europe and Latin America. Country from which the Group derives more than 15% of revenues is Poland with shares amounting to 25.2% (2017: 28.6%). The second largest market for XTB is Spain, with shares amounting to 14.7% (2017: 20.7%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%. Latin America is also gaining on importance, which has already replaced the gap in Turkey.

(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2018	31.12.2017
Central and Eastern Europe	140 494	131 423
- including Poland	*72 525*	*78 332*
Western Europe	124 488	128 564
- including Spain	*42 360*	*56 550*
Latin America and Turkey	23 319	13 780
- including Turkey	*-*	*4 943*
Total operating income	288 301	273 767

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

(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2018	31.12.2017
Retail segment	269 486	232 187
Institutional segment (X Open Hub)	18 815	41 580
Total operating income	288 301	273 767

Operating expenses

Operating expenses in 2018 amounted to PLN 172 492 thousand (2017: PLN 145 497 thousand) and were higher by PLN 26 995 thousand ie. 18.6% y/y. This increase was mainly higher by one-off event, which was administrative fine imposed by PFSA in the amount of PLN 9 900 thousand and higher by:

- PLN 8 481 thousand of marketing costs mainly due to higher expenditures on marketing online campaigns;
- PLN 5 328 thousand of salaries and employee benefits costs mainly due to the increase in variable remuneration elements (bonuses). The average number of employees in the Group was 391 persons in 2018 and 388 persons in 2017. Average monthly cost of remuneration and employee benefits per one employee in the Group in 2018 amounted PLN 16.7 thousand and increased in comparison to previous year (2017: PLN 15.7 thousand).
- PLN 2 966 thousand of other external services costs as a result of incurring more expenditure on:
  - legal and advisory services (increased by PLN 1 060 thousand y/y);
  - market data services (increased by PLN 995 thousand y/y) and
  - IT systems and licenses (increased by PLN 627 thousand y/y);

3.2.2 Public support

In 2018 and 2017 the Group did not receive any financial support from public resources.

3.2.3 Rate of return on assets

The rate of return on assets, calculated as the quotient of net profit and total assets, as of 31 December 2018 amounted to 10.5% and as of 31 December 2017 amounted to 10.4%.

3.2.4 Activities of the brokerage house outside the territory of the Republic of Poland

Information about the activities of the brokerage house outside the territory of the Republic of Poland, broken down into member states and third countries in which the brokerage house has its subsidiaries, on a consolidated basis within the meaning of Article 4(1)(48) of the Regulation of the European Parliament and of the Council (EU) No 575/2013 on prudential requirements for credit institutions and investment firms are presented below.

AREAS OF ACTIVITIES	REVENUE FOR 2018	NUMBER OF EMPLOYEES IN TERMS OF FTSs	PROFIT BEFORE TAX FOR 2018	INCOME TAX FOR 2018
Poland	292 173	364	119 886	(22 139)
Great Britain	480	20	618	(117)
Cyprus	-	8	100	-
Belize	119	0	539	-
Turkey	-	2	2 726	(693)

3.2.5 Selected financial and operating ratios of the Group

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

	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
EBITDA (in PLN'000)[1]	119 740	134 324
EBITDA margin (%)[2]	41,5	49,1
Net profit margin (%)[3]	35,2	34,0
Return on equity –ROE (%)[4]	23,7	24,6
Return on assets – ROA (%)[5]	10,9	11,0
Aggregate capital adequacy ratio, including buffers (%)[6]	19,1	10,7

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

The table below presents:
- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the number of new accounts opened by the Group's clients in individual periods;
- the number of active accounts;
- the aggregate number of accounts;
- the amount of net deposits in the individual periods;
- average operating income per one active account;
- the transaction volume in lots;
- profitability per lot.

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

	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
New clients[1]	20 672	18 913
Average number of active clients[2]	21 279	18 667
Clients in total	116 517	105 662
New accounts[3]	49 740	50 723
Average number of active accounts[4]	23 656	21 088
Accounts in total	238 980	204 064
Net deposits (in PLN'000)[5]	332 907	357 677
Average operating income per active client (in PLN'000)[6]	13,5	14,7
Average operating income per active account (in PLN'000)[7]	12,2	13,0
Transaction volume in CFD instruments in lots[8]	2 095 412	2 196 558
Profitability per lot (in PLN)[9]	138	125

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

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

	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
Retail operations segment	1 861 313	1 940 276
Central and Eastern Europe	1 024 922	1 060 433
Western Europe	714 036	689 126
Latin America and Turkey	122 355	190 717
Institutional operations segment	234 099	256 282
Total	2 095 412	2 196 558

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

(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
Result from operations on financial instrument:	281 473	269 188
Central and Eastern Europe	134 818	128 017
Western Europe	123 455	127 391
Latin America and Turkey	23 200	13 780
Income from fees and charges:	6 651	4 457
Central and Eastern Europe	5 499	3 284
Western Europe	1 033	1 173
Latin America and Turkey	119	-
Other income:	177	122
Central and Eastern Europe	177	122
Total operating income[1]	288 301	273 767
Central and Eastern Europe	**140 494**	**131 423**
- including Poland [2]	*72 525*	*78 332*
Western Europe	**124 488**	**128 564**
- including Spain[2]	*42 360*	*56 550*
Latin America and Turkey	**23 319**	**13 780**
- including Turkey	-	*4 943*

[1]) The countries where the Group always generates 15% or more of its revenues is Poland 25.2% (2017 r.: 28.6%). The second largest market for XTB is Spain, with shares amounting to 14.7% (2017: 20.7%). The share of any of the other countries in the Group's revenue structure by geographical area does not exceed 15%.

[2]) The country which generates the highest revenue in the region.

Retail operations segment

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

	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
New clients[1]	20 662	18 906
Average number of active clients[2]	21 259	18 646
Clients in total	116 470	105 625
New accounts[3]	49 714	50 708
Average number of active accounts[4]	23 628	21 056
Accounts in total	238 890	203 990
Number of transactions[5]	29 908 715	26 181 580
Transaction volume in CFD instruments in lots[6]	1 861 313	1 940 276
Net deposits (in PLN'000)[7]	320 001	308 290
Average operating income per active client (in PLN'000)[8]	12,7	12,5
Average operating income per active account (in PLN'000)[9]	11,4	11,0
Average cost of obtaining an client (in PLN'000)[10]	1,6	1,3
Average cost of obtaining an account (in PLN'000)[11]	0,7	0,5
Profitability per lot (in PLN)[12]	145	120

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

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

	12 MONTHS PERIOD ENDED			
		31.12.2018		**31.12.2017**
Central and Eastern Europe	11 625	55%	10 858	58%
Western Europe	8 186	38%	6 397	34%
Latin America and Turkey	1 448	7%	1 391	8%
Average number of active clients	**21 259**	**100%**	**18 646**	**100%**

Institutional operations segment

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

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

	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
Average number of active clients	20	21
Clients in total	47	37
Average number of active accounts	28	32
Accounts in total	90	74

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

	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
Transaction volume in CFD instruments in lots	234 099	256 282

3.2.6 Basic separate economic financial information

Discussion of the Company's results in 2018

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

(IN PLN'000)	12 MONTHS ENDED		CHANGE %
	31.12.2018	**31.12.2017**	
Result of operations on financial instruments	260 766	247 524	5.3
Income from fees and charges	6 394	4 047	58.0
Other income	177	122	45.1
Total operating income	267 337	251 693	6.2
Salaries and employee benefits	(65 414)	(59 246)	10.4
Marketing	(24 212)	(22 613)	7.1
Other external services	(30 636)	(20 836)	47.0
Costs of maintenance and lease of buildings	(6 057)	(5 843)	3.7
Amortisation and depreciation	(3 197)	(3 924)	(18.5)
Taxes and fees	(2 151)	(1 745)	23.3
Commission expenses	(6 222)	(5 069)	22.7
Other costs	(12 267)	(2 106)	482.5
Total operating expenses	(150 156)	(121 382)	23.7
Profit on operating activities	117 181	130 311	(10.1)
Impairment of investments in subsidiaries	(6 643)	(11 877)	(44.1)
Finance income	4 958	2 311	114.5
Finance costs	(203)	(15 097)	(98.7)
Profit before tax	115 293	105 648	9.1
Income tax	(24 395)	(18 250)	33.7
Net profit	90 898	87 398	4.0

Operating income

The Company's income is primarily derived from its retail activities and consists of:

- spreads (the difference between the offer price and the bid price);
- net result (profits offset by losses) from the Company's market making activities;
- fees and commissions charged by the Company to its clients;

- swap points charged by the Company (being the difference between the notional forward rate and the spot rate of a given financial instrument).

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

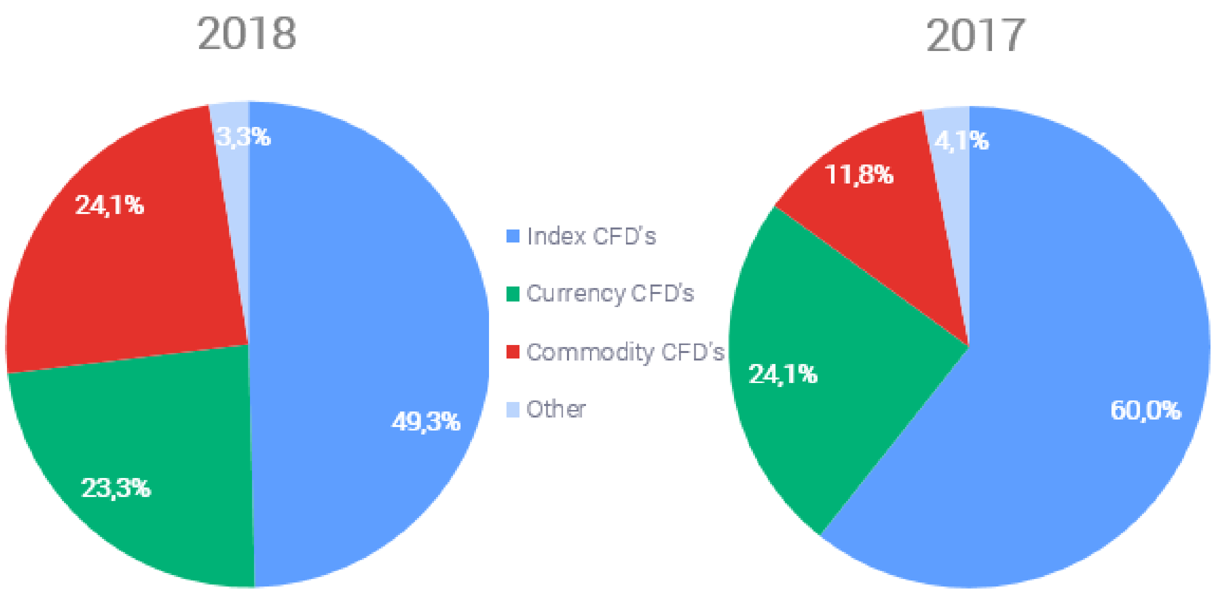
	12 MONTHS PERIOD ENDED			
		31.12.2018		**31.12.2017**
	(in PLN'000)	(%)	(in PLN'000)	(%)
Result of operations on financial instruments	260 766	97.5	247 524	98.3
Income from fees and charges	6 394	2.4	4 047	1.6
Other income	177	0.1	122	0.1
Total operating income	267 337	100.0	251 693	100.0

The largest source of the Company's operating income is the result from operations on financial instruments, which accounted for 97.5% and 98.3% of total operating revenues, in 2018 and 2017, respectively. The largest share in the result on transactions in gross financial instruments has three product classes: CFD derivatives on indices, commodities and currencies that generated in 2018, respectively 49.3%, 24.1% and 23.3% (in 2017, respectively: 60.0%, 11.8%, 24.1%). Other products, such as CFD derivatives based on bonds, shares and option derivatives in the analyzed periods accounted for a total of 2.6% and 3.1% of the result on operations in gross financial instruments, both in 2018 and in 2017.

The result of operations on financial instruments

(IN PLN'000)	12 MONTHS PERIOD ENDED		ZMIANA %
	31.12.2018	**31.12.2017**	
Index CFDs	141 924	168 852	(15.9)
Commodity CFDs	67 192	67 752	(0.8)
Currency CFDs	69 499	33 098	110.0
Stock CFDs	2 878	1 899	51.6
Bond CFDs	589	(83)	(809.6)
Total CFDs	282 082	271 518	3.9
Option derivatives	3 947	6 884	(42.7)
Stocks	99	-	-
Dividends from subsidiaries	2 058	2 835	(27.4)
Gross gain on transactions in financial instruments	288 186	281 237	2.5
Bonuses and discounts paid to customers	(1 087)	(1 852)	(41.3)
Intermediary services	(25 914)	(29 796)	(13.0)
Commission paid to cooperating brokers	(419)	(2 065)	(79.7)
Net gain on transactions in financial instruments	260 766	247 524	5.3

The share of instruments in the result on operations financial instruments



Total operating expenses

In 2018, total operating expenses amounted to PLN 150 156 thousand (2017: PLN 121 382 thousand), which means an increase by 23.7% y/y. This increase was mainly higher by one-off event, which was administrative fine imposed by PFSA in the amount of PLN 9 900 thousand and higher by:

- PLN 9 800 thousand costs of other external services mainly due to higher expenditures on:
  - intermediary services (increased by PLN 6 650 thousand y/y);
  - legal and advisory services (increased by PLN 1 185 thousand y/y) and
  - market data delivery (increased by PLN 1 048 thousand y/y).
- PLN 6 168 thousand costs of salaries and employee benefits mainly due to employment growth and the increase in variable remuneration elements (bonuses). the increase in variable remuneration elements (bonuses); The average employment in 2018 was 343 people, and 350 people in 2017. The average monthly cost of salaries and employee benefits per one employee in the Company in 2018 amounted to PLN 15.9 thousand and increased compared to the level from last year, which was in amount of PLN 14.1 thousand;
- PLN 1 599 thousand cost of marketing mainly due to higher expenditures on marketing online campaigns.

3.2.7 Selected financial and operating ratios of the Company

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

	12 MONTHS PERIOD ENDED	
	31.12.2018	**31.12.2017**
EBITDA (in PLN'000)[1]	120 378	134 235
EBITDA margin (%)[2]	45.0	53.3
Net profit margin (%)[3]	34.0	34.7
Return on equit – ROE (%)[4]	20.8	22.5
Return on assets – ROA (%)[5]	10.2	10.7
Agregate capital adequacy ratio (%)[6]	22.1	12.2

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

Due to the fact that operating KPIs data concerning number of clients, number of accounts, average number of active clients, average number of active accounts, volume turnover in lots and average operating income per active account are analyzed by the Company's Management Board on the Group level, and not in the separate view, this data was presented only in the consolidated view. In the Company's opinion this gives complete view of the Group's situation. Therefore, in the Company's opinion analysis of the above mentioned KPIs on the consolidated level is reliable.

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

(IN PLN'000)	**12 MONTHS PERIOD ENDED**	
	31.12.2018	**31.12.2017**
Result of the operations on financial instrument:	260 766	247 524
Central and Eastern Europe	134 826	128 102
Western Europe	111 934	118 014
Latin America and Turkey	14 006	1 408
Income from fees and charges:	6 394	4 047
Central and Eastern Europe	5 842	2 966
Western Europe	552	1 081
Other income:	177	122
Central and Eastern Europe	177	122
Total operating income[1]	267 337	251 693
Central and Eastern Europe	**140 845**	**131 190**
- including Poland[2]	*72 877*	*78 098*
Western Europe	**112 486**	**119 095**
- including Spain[2]	*42 360*	*56 550*
Latin America and Turkey	**14 006**	**1 408**
- including Turkey	-	*2 606*

[1]) The countries where the Company always generates 15% or more of its revenues include Poland: 25.2% (2017 r.: 28.6%) and Spain: 15.8% (2017 r.: 22.5%). The share of any of the other countries in the Company's revenue structure by geographical area does not exceed 15%.
[2]) The country which generates the highest revenue in the region.

3.3 Current and projected financial situation

Current and projected financial situation of X-Trade Brokers Dom Maklerski S.A. and the Capital Group shows no significant risks. The Company is the parent company of the Capital Group. The Company's financial situation should be evaluated by the results of the entire Capital Group. The company maintains and intends to maintain the financial liquidity at an adequate level to the scale of its operations.

3.4 Structure of assets and liabilities

3.4.1 Structure of assets and liabilities in the consolidated statement of financial position

(IN PLN'000)	31.12.2018	% balance sheet total	31.12.2017	% balance sheet total
ASSETS				
Own cash and cash equivalents	467 987	48.2	367 096	40.9
Customers' cash and cash equivalents	363 908	37.5	378 471	42.2
Financial assets at fair value through P&L	114 279	11.8	N/A*	-
Financial assets held for trading	N/A*	-	127 944	14.3
Investments in subsidiaries	N/A*	-	147	0.0
Income tax receivables	3 068	0.3	375	0.0
Financial assets at amortised cost	5 005	0.5	4 009	0,4
Prepayments and deferred costs	3 049	0.3	3 216	0,4
Intangible assets	716	0.1	2 915	0,3
Property, plant and equipment	2 517	0.3	3 034	0,3
Deferred income tax assets	9 545	1.0	10 497	1,2
Total assets	970 074	100.0	897 704	100,0
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	447 841	46.2	421 400	46,9
Financial liabilities held for trading	28 227	2.9	40 905	4,6
Income tax liabilities	232	0.0	1 268	0,1
Other liabilities	23 781	2.5	21 913	2,4
Provisions for liabilities	1 980	0.2	1 666	0,2
Deferred income tax provision	12 857	1.3	10 210	1,1
Total liabilities	514 918	53.1	497 362	55,4
Equity				
Share capital	5 869	0.6	5 869	0,7
Supplementary capital	71 608	7.4	71 608	8,0
Other reserves	334 898	34.5	247 992	27,6
Foreign exchange differences on translation	(21 479)	(2.2)	(15 906)	(1,8)
Retained earnings	64 260	6.6	90 779	10,1
Equity attributable to the owners of the Parent	455 156	46.9	400 342	44,6
Total equity	455 156	46.9	400 342	44,6
Total equity and liabilities	970 074	100.0	897 704	100.0

*) N/A - not applicable – items which are not applicable due to the rules resulting from IFRS 9 from 1 January 2018.

As at 31 December 2018 balance sheet total amounted to PLN 970 074 thousand. In comparison to 31 December 2017 there was an increase by PLN 72 370 thousand i.e. 8.1%.

The most important asset item, both at the end of 2018 and 2017, are cash, which accounted for respectively in 2018 and 2017, 85.8% and 83.1% of assets. Cash comprises the Group's own cash and cash customers. Clients' cash is deposited in bank accounts separately from the Group's cash. The Group derives economic benefits from investing clients' cash. At the end of 2018, own cash increased by 27.5% y/y while customers' cash decreased by 3.8% y/y.

The second largest asset item in terms of financial assets are financial assets at fair value through P&L (at the end of 2017 it was financial assets held for trading), representing at the end of 2018 and 2017, 11.8% and 14.3% of assets, respectively. This item decreased by 10.8% y/y.

As regards the structure of liabilities, the most significant item as at 31 December 2018 were amounts due to customers (46.2% of liabilities in 2018 and 46.9% in 2017, respectively). Amounts due to customers result from transactions made by customers (including cash deposited on customer accounts).

3.4.2 Structure of assets and liabilities in the separate statement of financial position

(in PLN'000)	31.12.2018	% balance sheet total	31.12.2017	% balance sheet total
ASSETS				
Own cash and cash equivalents	412 950	44,5	322 954	37,8
Customers' cash and cash equivalents	326 649	35,2	334 100	39,1
Financial assets at fair value through P&L	106 531	11,5	N/A*	-
Financial assets held for trading	N/A*	-	118 164	13,8
Investments in subsidiaries	54 864	5,9	57 160	6,7
Income tax receivables	2 841	0,3	115	0,0
Financial assets at amortised cost	11 532	1,2	5 060	0,6
Prepayments and deferred costs	2 351	0,3	2 661	0,3
Intangible assets	495	0,1	2 111	0,2
Property, plant and equipment	2 250	0,2	2 764	0,3
Deferred income tax assets	7 497	0,8	8 302	1,0
Total assets	927 960	100,0	853 391	100,0
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	405 200	43,7	374 930	43,9
Financial liabilities held for trading	24 794	2,7	34 834	4,1
Income tax liabilities	139	0,0	1 121	0,1
Other liabilities	20 711	2,2	20 724	2,4
Provisions for liabilities	1 049	0,1	911	0,1
Deferred income tax provision	12 857	1,4	8 022	0,9
Total liabilities	464 750	50,1	440 542	51,6
Equity				
Share capital	5 869	0,6	5 869	0,7
Supplementary capital	71 608	7,7	71 608	8,4
Other reserves	334 760	36,1	247 854	29,0
Foreign exchange differences on translation	1 159	0,1	612	0,1
Retained earnings	49 814	5,4	86 906	10,2
Total equity	463 210	49,9	412 849	48,4
Total equity and liabilities	927 960	100,0	853 391	100,0

*) N/A - not applicable – items which are not applicable due to the rules resulting from IFRS 9 from 1 January 2018.

As at 31 December 2018 balance sheet total amounted to PLN 927 960 thousand. In comparison to 31 December 2017 there was an increase by PLN 74 569 thousand i.e. 8.7%.

The most important asset item, both at the end of 2018 and 2017, are cash, which accounted for respectively in 2018 and 2017, 79.7% and 77.0% of assets. Cash includes own funds of the Company and cash of clients. Clients' cash is deposited in bank accounts separately from the Company's cash. The Company derives economic benefits from investing clients' cash. At the end of 2018, own cash increased by 27.9% y/y while customers' cash decreased by 2.2% y/y.

The second largest asset item in terms of financial assets are financial assets at fair value through P&L (at the end of 2017 it was financial assets held for trading), representing at the end of 2018 and 2017, 11.5% and 13.8% of assets, respectively. This item decreased by 9.8% y/y.

The company has investments in subsidiaries. The total nominal value of shares in subsidiaries as at 31 December 2018 amounted to PLN 54 864 thousand, which accounted for 5.9% of the Company's assets. As at 31 December 2017, this value amounted to PLN 57 160 thousand, ie 6.7% of the Company's assets. Decrease by PLN 2 296 thousand y/y is mainly due to:

- the impairment write-down for investments in a subsidiary in Turkey in the amount of PLN 6 643 thousand;
- acquire 1 165 new shares in the capital increase of XTB Limited in Cyprus. As a result of the above transaction the Company kept 100% share in subsidiary's capital;
- establish XTB Africa (PTY) Ltd. with its seat in South Africa in which it owns 100% of shares. As at 31 December 2018 the nominal value of shares amounted to PLN 947 thousand;
- acquire 50 000 shares in the increased capital of subsidiary XTB Services Ltd. with its seat in Cyprus. As a result of the above transaction the Company kept 100% share in subsidiary's capital. The value of the increased capital was PLN 208 thousand.

As regards the structure of liabilities, the most significant item as at 31 December 2018 were amounts due to customers (43.7% of liabilities in 2018 and 43.9% in 2017, respectively). Amounts due to customers result from transactions made by customers (including cash deposited on customer accounts).

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

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations until the end of 2019 and in some cases also longer:

- The Group's revenue depends directly on the volume of transactions concluded by the Group's clients and profitability per lot which in turn is correlated with the general level of transaction activity on the FX/CFD market.

  As a rule, the Group's revenues are positively affected by higher activity of financial markets due to the fact that in such periods, a higher level of turnover is realized by the Group's clients and higher profitability per lot. The periods of clear and long market trends are favourable for the Company and it is at such times that it achieves the highest revenues. Therefore, high activity of financial markets and commodities generally leads to an increased volume of trading on the Group's trading platforms. On the other hand, the decrease in this activity and the related decrease in the transaction activity of the Group's clients leads, as a rule, to a decrease in the Group's operating income. Due to the above, operating income and the Group's profitability may decrease in periods of low activity of financial and commodity markets. In addition, there may be a more predictable trend in which the market moves within a limited price range. This leads to market trends that can be predicted with a higher probability than in the case of larger directional movements on the markets, which creates favourable conditions for transactions concluded in a narrow range of the market (range trading). In this case, a higher number of transactions that bring profits to clients is observed, which leads to a decrease in the Group's result on market making.

  The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions. It can significantly affect the revenues generated by the Group in the subsequent quarters. This is characteristic of the Group's business model. To illustrate this impact, the table below presents the historical financial results of the Group on a quarterly basis

	THREE-MONTH PERIOD ENDED							
	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
Total operating income (in PLN'000)	42 786	47 578	84 200	113 737	75 460	73 063	66 526	58 718
Transaction volume in CFD instruments in lots[1]	458 869	345 118	616 082	675 344	618 893	523 769	513 814	540 082
Profitability per lot (in PLN)[2]	93	138	137	168	122	139	129	109

[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.

Although in quarterly terms, the revenues of the XTB Group are subject to significant fluctuations, which is a phenomenon typical of the XTB business model, then in a longer time horizon, which is a year, they take on more stable and comparable values to those from historical years.

					12 MONTHS PERIOD ENDED
	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Total operating income (in PLN'000)	288 301	273 767	250 576	282 542	204 434
Transaction volume in CFD instruments in lots[1]	2 095 412	2 196 558	2 015 655	2 443 302	1 986 639
Profitability per lot (in PLN)[2]	138	125	124	116	103

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

- Since 2013, the Group provides services for institutional clients, including brokerage houses, start-ups and other financial institutions within the institutional activity segment (X Open Hub). The products and services offered by the Group as part of the X Open Hub differ from those offered as part of the retail segment, which entails different risks and challenges. As a result, the Group's revenues from this segment are exposed to large fluctuations from period to period. The table below illustrates the percentage share of the institutional business segment in total operating income.

	2018	2017	2016	2015	2014
% share of operating income from institutional operations in total operating income	6,5%	15,2%	7,8%	4,7%	14,1%

The Management Board anticipates that possible low activity in financial and commodity markets in 2019, regulatory changes as well as other factors (if they occur) may adversely affect the condition of XTB's institutional partners and thus lead to a drop in the volume of trading in lots in the coming period, as well as and XTB revenues from these clients. On the other hand, the Management Board of XTB can't exclude a higher turnover of clients in the institutional segment in the coming quarters.

- The Management Board expects that in 2019 operating expenses should be at a level comparable to that observed in 2018. The final level will depend on the variable remuneration elements (bonuses) paid to employees, the level of marketing expenditures and the impact of ESMA's product intervention on the level of revenues generated by the Group. The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures will depend on the impact of the results and profitability of the Group and on responsiveness of the clients to the actions taken. The impact of ESMA's product intervention on the Group's revenues will determine, if necessary, a revision of the cost assumptions for further months of 2019.

- On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. It has led to a significant decline in the number of clients and consequently to a significant reduction in the Group's activity in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate.

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

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

  On 27 March, 2018 ESMA agreed on measures on the provision of contracts for differences (CFD) and binary options to retail investors in EU.

  Agreed measures regarding CFDs include:

  - leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument:
    - 30:1 for major currency pairs;
    - 20:1 for non-majors currency pairs, gold and major equity indices;
    - 10:1 for commodities other than gold and non-major equity indices;
    - 5:1 for individual equities and other reference values;
    - 2:1 for cryptocurrencies;
  - a margin close out rule on a per account basis;
  - negative balance protection on a per account basis;
  - a restriction on the incentives offered to trade CFDs;
  - a standardised risk warning.

  When it comes to binary options, the agreed measures include:

  - a prohibition on the marketing, distribution or sale of those instruments to retail clients.

  Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union.

  The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return.

  In relation to CFDs temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.

  The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. On the one hand, there was a temporary drop in trade volumes among European brokers. On the other hand, the Management Board of XTB is convinced of the business's vitality over a longer time horizon. It seems likely that clients gradually adjust their trading strategies to a lower level of financial leverage. Maintaining the ESMA decision in time should lead to a wave of consolidation in the market and allow XTB to consolidate its strong position on the European market.

  On 22 June, 2018 another draft act on amendment of the act on supervision over the financial market and certain other acts was presented.

  The main assumptions introduced by the draft include, among others:

  - increased requirements regarding security deposits for Polish residents with regard to transactions on the market of financial derivative instruments from 1% to 2% and, consequently, reduction of financial leverage to 1:50 for retail clients. As far a retail clients who, during 24 months preceding submission of the order, concluded at least 40 transactions and expressed this intention, the draft will allow application of financial leverage of up to 1:100;
  - authorising the Polish Financial Supervision Authority to maintain a register of internet domains and block internet domains of investment companies, used for provision of financial services in a manner non-compliant with regulatory requirements;
  - introduction of stricter penal liability for unauthorised operation with regard to trading in financial instruments if the unlawful act results in unfavourable disposition of property by the harmed party.

  The purpose of the draft law is to introduce solutions aiming at increasing a level of security of financial market participants using financial services provided through various types of so-called internet platforms. These solutions are intended to prevent fraud on financial market conducted with the use of internet by entities unauthorised to provide financial services.

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

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

3.6 Risk factors

3.6.1 Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken and for regularly setting appropriate limits to limit the scale of exposure to these risks.

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

The Risk Management Committee, composed of members of the Supervisory Board, was appointed in the Parent Company. The Committee's tasks include: preparation of a draft document regarding risk appetite of the brokerage house, issuing opinions on management strategy developed by the Management Board, supporting the Supervisory Board in supervising the strategy of the brokerage house in risk management by the Management Board, verification of remuneration policy and principles of its implementation in terms of adjusting the remuneration system to the risk the brokerage house is exposed to, its capital, liquidity and probabilities and dates of obtaining income.

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

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

In the reporting period there were no significant changes in the risk management system.

3.6.2 Risk factors and threats

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

As at 31 December 2018 and as at the date of this report, the Group identifies the following risks associated with the Group's operations and with the regulatory environment.

Risks associated with the Group's operations:

- Group's revenue and profitability are influenced by trading volume and volatility in financial and commodity markets that are impacted by factors that are beyond the Group's control;
- economic, political and market factors beyond the Group's control may harm its business and profitability;
- the Group may incur material financial losses from its market making model;
- the Group's risk management policies and procedures may prove ineffective;
- the Group may experience disruptions to or corruption of its infrastructure necessary for the conduct of the Group's business;
- the Group's business relies, to a great extent, on the Group's ability to maintain its good reputation and the general perception of the FX/CFD market;
- the Company may not be able to pay dividends in the future or pay lower dividends than provided in the Group's dividend policy;
- the Group may fail to implement its strategy;
- as a result of implementing its strategy relating to developing its operations in Latin America the Group may be exposed to various risks specific to Latin America;
- the Group may experience difficulties in attracting new retail clients and maintain its active retail client base;
- the Group may be unable to effectively manage its growth;
- the Group is subject to counterparty credit risk;

- the Group is exposed to client credit risk;
- the Group is exposed to the risk of losing its liquidity;
- the Group may lose access to market liquidity;
- the decline in interest rates may have an adverse impact on the Group's revenue;
- the Group's operations in certain regions are subject to increased risks associated with political instability and the risks that are typical of the developing markets;
- the Group operates on a highly competitive market;
- the Group may not be able to maintain technological competitiveness and respond to dynamically changing client demands;
- the Group may be unable to effectively protect or to ensure the continued use of its current intellectual property rights;
- the development of the Group's product and services portfolio and expansion of the Group's operations to include new lines of business may involve increased risks;
- the Group may not be able to hire or retain qualified staff;
- risks related to the Group's cost structure;
- the Group's insurance coverage relating to its operations may be insufficient or not available;
- within its operations the Group is significantly dependent on third parties;
- the Group may not be able to prevent potential conflicts between its interest connected with its activities and the interests of the clients;
- other factors beyond the Group's control could have negative impact on its operating activities.

Risks associated with the regulatory environment:

- the Group operates in a heavily regulated environment and may fail to comply with the rapidly changing laws and regulations. Additional information regarding the Group's regulatory environment were presented in section 5.2.;
- the Group is required to adapt its business to the new PFSA Guidelines, which may force the Group to incur significant financial expenditures and to implement material organisational changes, and may adversely affect the Group's competitive position;
- the Group is required to adapt its operation to the new ESMA Guidelines, which may require it to incur considerable financial outlays and implement significant organisational changes, and may adversely affect the Group's competitive position;
- the Company is required to maintain minimum levels of capital, which could restrict the Company's and as a consequence Group's growth and subject it to regulatory sanctions;
- the Company may be required to maintain higher capital ratios;
- maximum leverage ratios may be further reduced by regulators;
- the interpretation of the applicable laws may be unclear, and the laws may be subject to change;
- the Group may be exposed to increased administrative burdens and compliance costs as a respect of entering new markets;
- the procedures utilised by the Group, including in respect of anti-money laundering, preventing the financing of terrorism and 'know your client', may not be sufficient to prevent money laundering, the financing of terrorism, market manipulation or to identify other prohibited trades;
- the Group may be exposed to risks related to personal data and other sensitive data processed by the Group;
- a breach of consumer protection regulations may result in adverse consequences for the Group;
- advertising regulations and other regulations may impact the Group's ability to advertise;
- changes in tax law regulations specific for the Group's business, their interpretation or changes to the individual interpretations of tax law regulations could adversely affect the Group;
- the related-party transactions carried out by the Company and the Group Companies could be subject to inspection by the tax or fiscal authorities;
- court, administrative or other proceedings may have an unfavourable impact on the Group's operations, and the Group is exposed, in particular, to the risk of proceedings relating to client complaints and litigation, and regulatory investigation;
- as a brokerage house, XTB may be required to bear additional financial burdens under Polish law, including contributions to the investment compensation scheme established by the NDS and contributions for the purpose of financing the PFSA's supervision of capital markets, as well as fees related to the costs of the Financial Ombudsman and his office;
- risk related to increased reporting obligations due to the applicability of FATCA and the automatic exchange of information on tax matters;

- the Group will be required to observe and to adjust its business to the MiFID II/MiFIR Package after it enters into force, which may be expensive and time-consuming and may result in significant restrictions in terms of the manner and scope in which the Group may offer its products and services;
- the risk related to the implementation of EU law in the Polish legal system on the implementation of remedial actions and the resolution of financial institutions.

3.6.3 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 financial 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.

3.6.4 Currency risk

The Group enters into transactions mainly on the foreign exchange derivative contracts. In addition to transactions whose underlying is the exchange rate, the Group has instruments which price is denominated in foreign currency.

Brokerage house also manages the market risk generated by the assets held in foreign currencies, the so-called currency positions. Currency position consists of own resources of Brokerage house denominated in foreign currencies in order to settle transactions on foreign markets and related to the conduct of foreign branches.

Accounting Department supervises the state of own funds on bank accounts. Risk Control Department is actively involved in setting limits related to market risk, monitors the effectiveness of the control systems of market risk, reconciles bank balances and balances with customers balances in transactional systems, monitors changes in balances and adherence to internal limits.

3.6.5 Credit risk

Credit risk is mainly affected by the risks associated with maintaining cash both own and customers' on bank accounts. The credit risk related to cash is limited by the choice of banks with high credit ratings awarded by international rating agencies and through diversification of banks in which accounts are opened. Risk Control Department continuously monitors the probability of default and credit ratings of banks, undertaking where appropriate the actions described in internal procedures. The concentration of exposures is monitored daily in order to avoid excessive negative impact on the Company of single event in the field of credit risk.

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 house serve as a security. If a customer's current balance is equal or less than 50% of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

Transactions made by customers on the regulated market practically does not generate relevant credit risk, since the vast majority of customers' orders is fully covered by the cash account.

3.6.6 Interest rate risk

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

As a rule, the change in bank interest rates does not significantly affect the Company's financial position, since the Company determines interest rates for funds deposited in customers' cash accounts based on a variable formula, in an amount not higher than the interest 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 interest rates on the interbank market. Therefore, the risk of interest rate mismatch adverse to the brokerage 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 fluctuations of market interest rates is very low.

3.6.7 Liquidity risk

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

Currently at the Brokerage house the value of the most liquid assets (own cash) far exceeds the value of liabilities, hence liquidity risk is relatively low. These values are continuously monitored.

3.6.8 Operational risk

Due to the dynamic development of the Parent Company, the expansion of product offerings and IT infrastructure, the Company to a large extent is exposed to operational risk, defined as the possibility of losses due to mismatch or failed internal processes, human and systems errors or external events, while the legal risk is considered to part of the operational risk.

The Brokerage house applies a number of procedures for the operational risk management, including business continuity plans of the Company, emergency plans and personnel policy. As in the case of other risks, the Company approaches to operational risk in an active way - trying to identify risks and take action to prevent their occurrence, or limiting their effects and an important element of this process is the analysis of the frequency of site and the type of events in the field of operational risk.

3.6.9 Hedge accounting

XTB does not apply hedge accounting.

3.7 Assessment of financial funds management

The Group manages its financial funds through ongoing monitoring of possibility 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 XTB 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. The essence of the model is to determine the safe area of the state of free cash flow that does not require corrective action.

When 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 Risk Control Department. 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 Board. Information on deviations is transmitted to the Risk Control Department of the Parent Company.

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

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

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 in notes 39.3 and 40.3 to the Consolidated and Separate Financial Statements, respectively. 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.

In 2018, the Company did not issue any securities.

3.8 Material off-balance sheet items

Nominal value of financial instruments (off-balance sheet items) as at 31 December 2018 and 31 December 2017 was presented in notes 36 and 37, respectively to the consolidated and separate financial statements.

3.9 Financial forecasts

X-Trade Brokers Dom Maklerski S.A. did not publish any financial forecasts for 2018 (respectively consolidated and separate).

3.10 Dividend policy

The dividend policy adopted by the Company implies recommending to the General Meeting a dividend payment at the level of 50 - 100% of the Company's separate net profit for a given financial year, taking into account factors such as financial results and financial capabilities of the Company, as well as ensuring an adequate level of capital adequacy ratios of the Company, as well as the capital necessary for the development of the Group.

The dividend payment by the Company is subject to various types of legal restrictions. In particular, the date and method of payment of the dividend have been specified in the Polish commercial law. In addition, every year the PFSA issues positions regarding the dividend policy of financial institutions.

In the last position of 22 May 2018, later confirmed by position dated 15 January 2019, the PFSA recommended that the dividend from the profit for 2018 should pay no more than 75% of the net profit, only brokerage houses that jointly meet the following criteria (for brokerage houses subject to capital requirements):

- as at 31 December 2018: the Common Equity Tier 1 ratio was at least 6%, the Tier 1 capital ratio was at least 9%, and the total capital ratio was at least 14%;
- the supervisory rating assigned in the BION process conducted in 2017 is 1 or 2;
- the entity did not violate the capital adequacy norms in 2017, including the regulations regarding large exposure limits.

On 13 July 2018, the Company received from the Department of Investment Companies and Capital Market Infrastructure of the Polish Financial Supervision Authority ("PFSA") a supervisory assessment of the regulations, strategies, processes and mechanisms implemented by XTB in the field of risk management. According to the received letter, the Company was granted a supervisory rating 2 [2.61]. The supervisory rating was assigned to 30 December 2017.

In line with the position of the PFSA of 22 May 2017 and the position dated 15 January 2019, XTB meet the criteria enabling the Commission to assess dividend payment for 2018.

On 26 October 2018 the Management Board of X-Trade Brokers Dom Maklerski S.A adopted conditional resolution regarding the advance payment of dividend to Company's shareholders for financial year 2018. The audit of the Company's financial statements for the period from 1 January 2018 to 30 September 2018 finalized on 16 November 2018. Independent auditor's report on the audit for the period from 1 January 2018 to 30 September 2018 confirms the assumed net profit of the Company achieved from the end of the previous financial year, which amounted to PLN 84 123 thousand, which according to the current report No. 26/2018, it is the meeting of the second and last condition on advance payment of dividend for the financial year 2018. The Advance in amount of PLN 41 084 thousand was paid on 18 December 2018.

The table below presents information about the separate net profit of the Company and the total amount of the dividend paid for the financial years indicated therein.

	FOR THE YEAR ENDED (IN PLN'000)	
	31.12.2018	**31.12.2017**
Net profit of the Company	90 898	87 398
Dividend	-	-
The advance payment of dividend	41 084	-

On 26 October 2018 the Management Board of X-Trade Brokers Dom Maklerski S.A adopted conditional resolution regarding the advance payment of dividend to Parent Company's shareholders for 2018 financial year. On 18 December 2018 after meeting the statutory conditions the Parent Company made the advance payment of dividend in the amount of PLN 41 084 thousand, i.e. PLN 0,35 per share. The advance payment of dividend concerned all shares of the Parent Company.

On 7 March 2018, the Management Board of the Company adopted a resolution regarding the recommendation to the Supervisory Board and the Ordinary General Meeting of Shareholders of X-Trade Brokers Dom Maklerski S.A. to retain at the disposal of the Company the net profit achieved in the 2017 in amount of PLN 87 398 thousand and to transfer the achieved profit to the Company's reserve capital. At the meeting on 9 March 2018, the Supervisory Board of the Company issued a positive opinion on the above recommendation.

4. Corporate Governance

4.1 Set of rules of corporate governance applied by X-Trade Brokers Dom Maklerski S.A.

Acting pursuant to § 91 section 5 point 4 in connection with § 92 section 4 of the Regulation on current and periodic information (...), the Management Board of X-Trade Brokers Dom Maklerski S.A. provides a declaration on the application of corporate governance principles in 2018.

Best Practice of WSE Listed Companies

X-Trade Brokers Dom Maklerski S.A. applies the corporate governance principles expressed in the Code of Best Practice for WSE Listed Companies, adopted by the Warsaw Stock Exchange Council on 13 October 2015 and which came into force on 1 January 2016. The current content is available on the website dedicated to the principles of corporate governance of companies listed on the WSE under: www.gpw.pl/dobre-praktyki.

A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practices for WSE Listed Companied 2016 is posted on the website of X-Trade Brokers Dom Maklerski S.A., in the Investor Relations' section.

In 2018, X-Trade Brokers Dom Maklerski S.A. he complied with the principles expressed in the Code of Best Practice for WSE Listed Companies, excluding recommendation IV.R.2 and 2 detailed rules: I.Z.1.20, IV.Z.2.

In relation to the recommendation contained in Chapter IV, point 2, as follows:

„If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:
1) real-life broadcast of the general meeting,
2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,
3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary."

The Company identifies threats to the proper conduct of the General Meeting, especially legal risks, which in the opinion of the Company would exceed the potential benefits. Slight dissemination of practice of conducting the general meetings by means of electronic communication and inadequate preparation of the market may lead to increased risk of organizational and technical problems that might disrupt the proper running of the general meeting, as well as the risk of a possible undermining of the adopted resolutions of the general meeting, in particular due to technical defects. Due to the above, the Company does not apply on a permanent basis of this recommendation.

With regard to the rules contained in Chapter I, point 1.20, as follows:

"A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: an audio or video recording of a general meeting."

The Company has not adopted the use of this principle for the same reasons, which are described above.

With regard to the rules contained in Chapter IV, point 2, as follows:

""If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings."

The Company has not adopted the use of this principle for the same reasons as described in case of recommendation IV.R.2.

Principles of Corporate Governance of the PFSA

On 22 July 2014, the PFSA published the Principles of corporate governance for supervised institutions. The rules and information on their application are available on XTB website under:
www.xtb.com/pl/oferta/informacje-o-rachunku/informacje-prawne

In accordance with the PFSA Corporate Governance Principles, a supervised institution should strive to apply the principles set out in the Corporate Governance Rules of the Polish Financial Supervision Authority to the widest extent, taking into account the principle of proportionality resulting from the scale, nature of the business and the specifics of the institution. However, the withdrawal from the application of specific rules to the full extent can only occur if their comprehensive introduction would be unduly burdensome for the supervised institution.

On 18 December 2014, the Management Board adopted a resolution regarding the application of the Corporate Governance Rules of the Polish Financial Supervision Authority. The application of the Corporate Governance Rules of the Polish Financial Supervision Authority was confirmed by a resolution of the Extraordinary General Meeting of Shareholders of 28 January 2015.

The Company applies the Corporate Governance Rules of the Polish Financial Supervision Authority to the extent to which they define the rules of functioning of brokerage houses and are consistent with the generally applicable provisions.

The KNF Corporate Governance Principles, as expected by the PFSA, were implemented by the Company as of 1 January 2015. In the reporting period, the Company applied the KNF Corporate Governance Rules, with the following reservations:

- The principle set out in § 8 section 4 of the Corporate Governance Code of PFSA to the extent that it imposes on the supervised institution the obligation to facilitate the participation of all shareholders in the assembly of the supervisory body, inter alia by ensuring the possibility of electronically active participation in the meetings of the decision-making body.

  Pursuant to the Articles of Association, participation in the General Meeting using electronic means of communication will be provided by the Company, if the announcement on convening the General Meeting will contain information about the possibility of shareholders participating in the General Meeting using electronic means of communication.

- The principle set out in § 21 section 2 of the Corporate Governance Code of PFSA to the extent it stipulates that the election of the chairman of the supervisory body should be made on the basis of experience and the ability to manage such body, taking into account the independence criterion.

  Pursuant to the Articles of Association, Jakub Zabłocki has the right to appoint and dismiss one member of the Supervisory Board acting as the Chairman of the Supervisory Board by way of a written statement on the appointment or dismissal of the Chairman of the Supervisory Board delivered to the Company. Therefore, compliance with the above rule will depend on Jakub Zabłocki.

4.2 Equity

As at 31 December 2018 and as at the submission date of this annual report, share capital of X-Trade Brokers Dom Maklerski S.A. comprised of 117 383 635 A-series ordinary shares. The nominal value of the shares is PLN 0,05 per share.

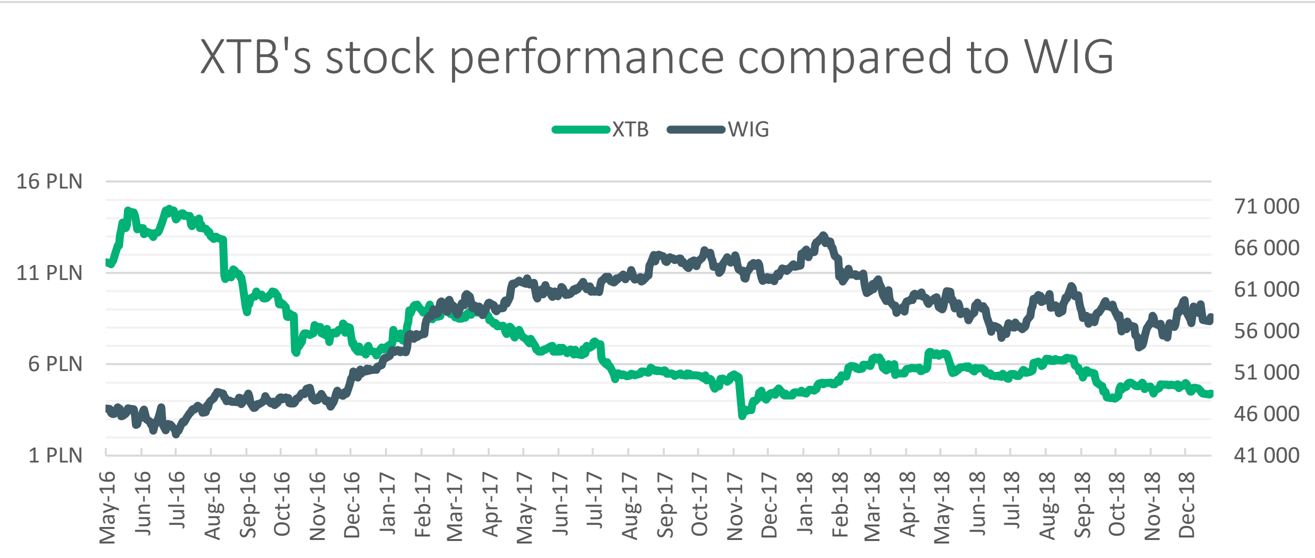
4.3 Shares on the stock exchange

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

XTB’s share price

X-Trade Brokers Dom Maklerski S.A. made its debut on the Warsaw Stock Exchange (WSE) on 6 May 2016. The Company’s shares have been listed on the main market of the WSE.

The maximum price per share of XTB stock in 2018 was PLN 6,68 on 26 April 2018 (at closing prices). The annual price trough of PLN 4,12 was recorded on 5 October 2018.



4.4 Shareholding structure

4.4.1 Shareholding structure at the end of the reposrting period

To the best knowledge of the Management Board of the Company as at 31 December 2018, the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

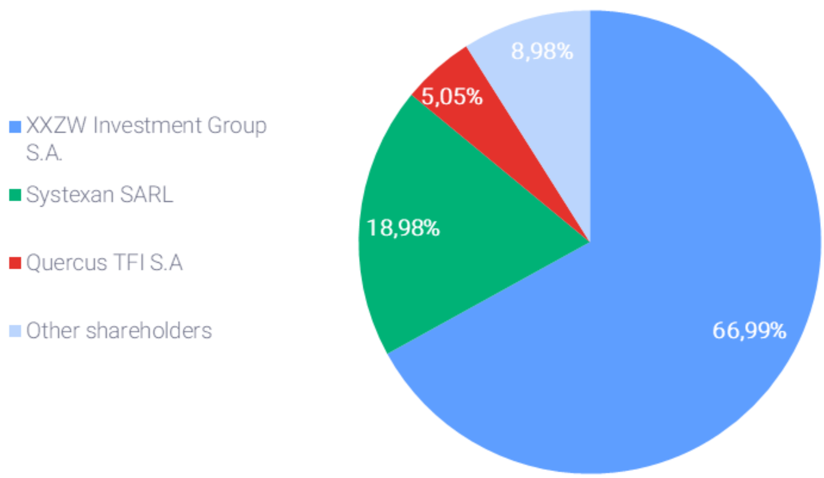
	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Systexan SARL[2]	22 280 207	1 114	18,98%
Quercus TFI S.A.	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Razem	117 383 635	5 869	100,00%

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

The percentage share in the share capital of the Parent Company of the abovementioned shareholders is in line with the percentage shares in the number of votes at the General Meeting.

The shareholding structure as at 31 December 2018 is presented in the following chart:



4.4.2 Changes in the shareholding structure after the balance sheet date

To the best knowledge of the Management Board of the Company as at the date of publishing this periodic report, the status of shareholders holding directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Entity did not change compared to the status as at 31 December 2018.

4.5 Acquisition of own shares

In the financial year 2018, the Company and its subsidiaries did not acquire the shares of X-Trade Brokers Dom Maklerski S.A.

4.6 Holders of securities with special control rights

In the 2018 financial year and as at the date of publication of this report, there were no securities that would give special control rights to the Company.

4.7 Restrictions on exercising the voting right

In the 2018 financial year and as at the date of publication of this report, there were no limitations to the exercise of voting rights attached to the Company's securities.

4.8 Restrictions on the transfer of ownership of shares

In accordance with the principles of the Incentive Scheme, Jakub Malý (on 10 January of 2017 Mr Jakub Malý was dismissed from the position of the President of the Management Board), Paweł Frańczak (on 25 April 2018 Mr. Paweł Frańczak previously holding the position of a Member of the Management Board of the Company resigned from his function) and Alberto Medrán pledged to XXZW and SYSTEXAN that due to the fact that the options were exercised and shares were granted on the basis of the Incentive Scheme, they will not sell them on the date on which The Company is subject to a contractual limitation of the transferability of the Shares (specified in the Bid Guarantee Agreement, i.e. within 360 days from the date of the first listing of the Company's shares on the WSE (ie until 01 May 2017).

At the same time, as at the balance sheet date and as at the date of publication of this report, there were no restrictions on the transfer of ownership of securities.

4.9 Agreements as a result of which changes may occur in the future in the proportions of shares held by the current shareholders

As at the date of publication of this annual report, the Company is not aware of any events that may result in future changes in the proportions of shares held by existing shareholders.

4.10 Management Board

The governing body of the Company is the Management Board.

4.10.1 Composition, changes and election of the Management Board

The rules for appointing and dismissing Management Board members and their rights are specified in the Company's Articles of Association. Pursuant to the Articles of Association of the XTB, the composition of the Management Board may include from three to six members, including the President of the Management Board and two Vice Presidents of the Management Board.

In accordance with its Articles of Association, at least two members of the Management Board need to have:

- higher education,
- at least three years of experience of working for financial market institutions
- a good opinion in connection with the positions held thereby.

Articles of Association of the Company is available on the Company's website www.xtb.pl in the Investor Relations section.

Members of the Management Board are appointed and dismissed by the Supervisory Board. The number of members of the Management Board is determined by the Supervisory Board in the resolution on appointing members of the Management Board. A member of the Management Board may also be dismissed or suspended from office by resolution of the General Meeting.

The Management Board is appointed for a joint three-year term.

The mandates of members of the Supervisory Board shall expire on the date of the General Meeting which approves the financial statements of the Company for the last full year of their term of office and in other cases specified in the Code of Commercial Companies.

As at 31 December 2018 and as at the date of publication of this interim report, the composition of the Management Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	Chairman of the Management Board	10.01.2017	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019
Jakub Kubacki	Board Member	10.07.2018	29.06.2019

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

The main information on the education, qualifications and previously held positions of the members of the Management Board are presented below:

Omar Arnaout

CEO and President of the Management Board. Mr. Omar Arnaout graduated in 2005 with a master's degree from the Warsaw School of Economics – Banking and Finance. He is associated with the Company since January 2007. In 2007-2009 he held the position of the Sales Dealer. In 2009-2010 he worked as the deputy director of the Romanian branch of XTB and in 2010-2012 as deputy director of the Italian branch of XTB. In 2012-2014 Mr. Omar Arnaout worked as the director of the foreign branches office at Noble Securities Dom Maklerski S.A. and in 2014, he also worked as Sales Director and Chairman of the Management Board of xStore sp. z o.o. In 2014-2016 he held the position of the Retail Sales Director in XTB Limited in the UK and in 2016 Mr. Omar Arnaout became the regional director of XTB for Poland, Hungary, Germany and Romania.

Filip Kaczmarzyk

Member of the Management Board responsible for Trading. Mr. Filip Kaczmarzyk is a graduate of the Warsaw School of Economics majoring in Quantitative Methods in Economics and Information Systems. He started his professional career at X-Trade Brokers DM S.A. in 2007 in the Trading Department on the position of Junior Trader. Since April 2009 he held the position of Deputy Chief Trader. In November 2010 he began working in the CFH Markets in London in the Customer Support Department. From May 2011 to May 2015 he worked at Noble Securities SA, initially as the Director of the OTC Instruments Trading Office, and from November 2012 as the Director of the Foreign Markets Department. Mr. Filip Kaczmarzyk returned to XTB in May 2015 for the position of the Director of Trading Department.

Paweł Szejko

Chief Financial Officer and Member of the Management Board at XTB. Mr. Paweł Szejko commenced his professional career in 2003 in the Audit Department of BDO Polska sp. z o.o., where he was employed until 2006 as, among others a Supervisor. From 2007 to 2008 he worked as a Senior Consultant in the Audit Department of PricewaterhouseCoopers sp. z o.o., and then, from July 2008 to September 2014, as the Director of Finance and a member of the management board at P.R.E.S.C.O. GROUP S.A. Since October 2014 Mr. Paweł Szejko has worked for the Company as Director of Finance and since January 2015 as a member of the Management Board. Mr. Paweł Szejko graduated from the Higher School of Banking in Poznań (WSB) and from the Poznań Economy Academy, where he specialised in Business Finance and Accounting. In 2007 Mr. Paweł Szejko was awarded an ACCA certificate in International Financial Reporting. In 2008, he was registered on the list of certified auditors at the Polish National Chamber of Statutory Auditors and in 2009 was awarded a accountancy certificate by the Ministry of Finance.

Jakub Kubacki

Member of the Management Board responsible for Legal. Mr. Jakub Kubacki graduated in 2009 as a Master of Law from Koźmiński University, then he completed his training advocate and in 2013 passed the Bar exam at the District Warsaw Bar Association he was admitted to the Bar. In 2010 he started his professional career at XTB in the Legal and Compliance Department, where since 2012 he has been the Compliance Officer. From 25 April 2018 he became the Director of the Legal Department. He specializes in capital market law. Mr. Jakub Kubacki is responsible for legal affairs and internal control in the XTB Group.

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

- on 25 April 2018 Mr. Paweł Frańczak previously holding the position of a Member of the Management Board of the Company resigned from his function;
- at the same time i.e. 25 April 2018, the Supervisory Board of XTB appointed Mr. Jakub Kubacki for the position of the Member of the Management Board of the Company. The resolution comes into force and the appointment becomes effective, provided that the Polish Financial Supervision Authority ("PFSA") shall give its consent in accordance with Art. 102a of the Act on Trading in Financial Instruments.
- on 10 July 2018 the Supervisory Board of the Company adopted a resolution regarding the appointment of Mr. Jakub Kubacki as a Member of the Management Board for Legal Affairs on the same day. At the same time, also on 10 July 2018, the Supervisory Board of the Company determined that as soon as the Polish Financial Supervision Authority granted the consent in accordance with Art. 102a.1 of the Act on Trading in Financial Instruments, the member of the Management Board for Legal Affairs will become responsible for supervising the risk management system and will subsequently become a Member of the Management Board for Legal Affairs and Risks.
- on 29 August 2018 the Supervisory Board of the Company adopted a resolution regarding the appointment of Mr. Andrzej Przybylski as a Member of the Management Board for Risk. The resolution comes into force and the appointment as a Member of the Management Board becomes effective, provided that the Polish Financial Supervision Authority shall give its consent in accordance with Article 102a of the Act on Trading in Financial Instruments, as a result Mr. Andrzej Przybylski will become responsible for supervising the risk management system.

  At the same time i.e. 29 August 2018 The Supervisory Board authorized the Chairman of the Board to submit an application to the Polish Financial Supervision Authority regarding the withdrawal of the application or discontinuation of the administrative procedure for granting the consent referred to in 102a sec. 1 of the Act on Trading in Financial Instruments regarding the appointment of Mr. Jakub Kubacki as a member of the management board responsible for supervising the risk management system.

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

4.10.2 Powers of the Management Board

The Management Board is authorized to conduct the affairs of the Company, represent the Company and any meters not reserved by law or the Articles of Association of the Company to the General Meeting or the Supervisory Board. The Management Board conducting the Company's affairs, makes decisions in the interest of the Company, shall draft the Company's development strategy and identifies the main goals of the Company.

All members of the Management Board are obliged and authorized to jointly conduct the Company’s affairs.

President of the Management Board shall convene meetings of the Management Board and chair. Chairman of the Management Board may authorize other members of the Management Board to convene and preside over meetings of the Management Board. In the absence of the President Management, the meeting of the Management Board shall be convened by the oldest member of the Management Board.

In particular, the Management Board shall have the power and shall be required to:

- act on behalf of the Company and represent the Company in dealings with third parties,
- prepare periodic reports and statements of the Company within timeframes allowing for their publication in accordance with relevant laws,
- submit financial statements to a statutory auditor for the purpose of their audit or review,
- submit reports of the Management Board on the activities of the Company and the financial statements, including an opinion and report of the statutory auditor (if required by law), to the Supervisory Board for the purpose of evaluation,
- convene General Meetings, submit proposals to be considered by the General Meeting and prepare draft resolutions of the General Meeting in a timely manner,
- submit reports of the Management Board on the activities of the Company and the financial statements, including an opinion and report of the statutory auditor, for the last financial year, to the General Meeting for the purpose of consideration and approval,
- develop and adopt regulations related to the operations of the Company, unless such authority has been reserved for any other body of the Company,
- prepare draft annual budgets, including the budget of the Company, budgets of Subsidiaries and the consolidated budget of the capital group of the Company, to be presented for approval to the Supervisory Board,
- fulfill reporting obligations imposed on brokerage houses,
- any other matters not reserved for other bodies of the Company.

The Management Board does not have a special competence in the issue and redemption of XTB shares.

4.10.3 The operation of the Management Board

The Management Board operates on the basis of the Regulations of the Management Board.

Meetings of the Management Board shall be held not less than once a month at the headquarters of the Company or if all members agree, elsewhere on Polish territory. The Management Board may hold a meeting without being formally convened if all members are present at the meeting and no one objects to holding the meeting or any of the proposed items on the agenda. Management Board resolutions are passed by an absolute majority of votes cast, and in the case of an equal number of votes "for" and "against" the vote of the Chairman of the Board decides.

Board members may participate in adopting resolutions of the Board by casting their votes in writing through another member of the Management Board. Casting a vote in writing may not concern matters introduced to the agenda during the meeting of the Board. Resolutions may be passed in writing or using means of direct remote communication. The resolution is valid if all the members of the Board have been notified of the draft resolution.

In accordance with the Articles of Association, the President of the Management Board supervises the activities of the Management Board and determines the internal division of tasks and powers among particular members of the Management Board, specifically, the President of the Management Board may entrust the management of specific departments to particular members of the Management Board. Furthermore, the President of the Management Board calls and chairs meetings of the Management Board. The President of the Management Board may authorise other members of the Management Board to convene and chair meetings of the Management Board. In the absence of the President of the Management Board or if the position of the President of the Management Board is vacant, the meetings of the Management Board are convened by the oldest member of the Management Board. Additionally, special rights of the President of the Management Board in terms of managing the work of the Management Board may be determined in the Regulations of the Management Board.

Two members of the Management Board acting jointly are authorised to make representations on behalf of the Company.

4.10.4 Shares of the Company and related entitles held by the Members of the Management Board

Management Board Members did not have any shares of the Company at the end of the reporting period and as at the date of this report.

As at the end of the reporting period and as at the date of this report, Management Board Members did not have any rights to the Company's shares.

The Management Board Members did not own shares in related entities.

4.10.5 Positions held by the Management Board Members of the issuer in the Group companies

The following table provides information on the functions carried out by members of the Management Board of the parent company in the authorities of subsidiaries:

NAME AND SURNAME	COMPANY	FUNCTION
Paweł Szejko	X Trade Brokers Menkul Değerler	Board Member
Omar Arnaout*	X Trade Brokers Menkul Değerler	Board Member
Omar Arnaout**	X Trading Technologies Sp. z o.o. in liquidation	Chairman of the Management Board

**Omar Arnaout has been Chairman of the Management Board of X-Trade Brokers Menkul Değerler from 17 February 2017.*
***Omar Arnaout is a Chairman of the Management Board of X Trading Technologies Sp. z o.o. from 15 February 2018.*

Members of the Management Board of the parent company did not receive in 2018 and 2017 remuneration for performing functions in the bodies of subsidiaries.

4.11 Supervisory Board

The Supervisory Board shall supervise the operations of the Company in all areas of its operations.

4.11.1 Composition, changes and election of the members of the Supervisory Board

Pursuant to § 15 of the Articles of Association of the Company, the Supervisory Board consists of five to nine members. The Supervisory Board members are appointed for a joint three year term of office.

Composition and election of the Supervisory Board

The Supervisory Board members are appointed and dismissed as follows:

- Jakub Zabłocki has the right to appoint and dismiss one member of the Supervisory Board, who is the Chairman of the Supervisory Board, by way of a written representation on the appointment or dismissal of the chairman of the Supervisory Board submitted to the Company; the above right which, within the meaning of Article 385 §2 of the Commercial Companies Code is classified as an "other method of appointment" of a member of the Supervisory Board, will be enjoyed by Jakub Zabłocki until such time that, through entities personally controlled thereby, within the meaning of the Accounting Act, or jointly with such entities or personally, he holds shares in the Company representing at least 33% of the overall number of votes at the General Meeting;
- SYSTEXAN, as long as it holds shares in the Company representing at least 10% of the overall number of votes at the General Meeting, will enjoy the personal right to appoint and dismiss one member of the Supervisory Board by way of a written representation on the appointment or dismissal of the given member of the Supervisory Board delivered to the Company;

- the other members of the Supervisory Board will be appointed and dismissed by the General Meeting

The number of members of the Supervisory Board in a given term is determined by the General Meeting, and if the General Meeting does not reach other decision, the number of members of the Supervisory Board will be five. In the case of the election of the Supervisory Board by way of separate group voting in compliance with Article 385 of the Commercial Companies Code, the number of Supervisory Board members will be five.

The members of the Supervisory Board may elect from among themselves a Deputy Chairman of the Supervisory Board and a secretary of the Supervisory Board. Once Jakub Zabłocki loses his personal right referred to above, the members of the Supervisory Board will elect a Chairman of the Supervisory Board from amongst themselves.

The mandates of the Supervisory Board members shall expire on the date of the General Meeting approving financial statements for the last full year as a member of the Supervisory Board and in other cases specified in the Code of Commercial Companies.

As at 31 December 2018 and as at the date of submission of this report, the composition of the Supervisory Board was as follows:

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

The main information on the education, qualifications and previously held positions of the members of the Supervisory Board are presented below:

Jakub Leonkiewicz, Chairman of the Supervisory Board	Jakub Leonkiewicz started his professional career in 2001 in the business development department at Interhyp.de in Germany. In 2001-2002 he worked at Roland Berger Strategy Consultants in Germany. In the years 2002-2015 Jakub Leonkiewicz was associated with J.P. Morgan – first as an analyst in the merger and acquisition team in London and since 2012 as a director of J.P. Morgan in Warsaw, where he was responsible for J.P. Morgan's practice in Poland and the Baltic countries. From November 2015 to January 2017 and once again from May 2017 he is the Chairman of the XTB Supervisory Board. Currently, Mr. Jakub Leonkiewicz acts as a partner in Avia Capital private equity fund. Jakub Leonkiewicz graduated in 2002 with a master's degree from the Warsaw School of Economics with a degree in finance and banking. Jakub Leonkiewicz participated in the CEMS Master Program (Community of European Management Schools) at the London School of Economics and was a scholarship holder at the Christian-Albrecht Universität zu Kiel. Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.
Łukasz Baszczyński, Member of the Supervisory Board	Łukasz Baszczyński commenced his professional career in 1999 as a clerk in the District Court in Zgierz. From 2002 to 2006 he cooperated as an attorney with the law office of Kancelaria Radców Prawnych P. Stopczyk & R. Mikulski and as an assistant to the management board of Sarton Management sp. z o.o. He is a partner at the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. and a partner in Baszczyński & Dąbrowska Intellectual Property Law and a member of the supervisory board of Novama Cloud S.A. Łukasz Baszczyński graduated from the Faculty of Law and Administration at the University of Lodz. In 2008, he was registered in the register of legal advisors and in 2010 in the register of advocates at the District Chamber of Advocates in Warsaw. Łukasz Baszczyński is entered in the list of candidates for members of supervisory boards of companies with the shareholding of the State Treasury. Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

Jarosław Jasik, Member of the Supervisory Board

Jarosław Jasik commenced his professional career in 1992 at the Polish Securities and Exchange Commission as an advisor and then as a specialist, later becoming a chief specialist in the Finance and Economic Analyses Office. From 1995 to 1996, he was an Investments Specialist at the Capital Investments Bureau of Ciech S.A. From 1996 he was the director of Public Market, Head of Public Markets and Investment Analyst at XI Narodowy Fundusz Inwestycyjny S.A. From 1999 to 2000, Jarosław Jasik worked as an expert in the Capital Investments Department at BIG Bank Gdański S.A. From 2000 to 2006, Jarosław Jasik worked for the PZU S.A. group as: Head of the Project of the Consolidation of the PZU Group, deputy director of the Operating Control Bureau, member of the management board of PZU Tower sp. z o.o. and vice president for finance at PZU Ukraina. From 2007 to 2008, Jarosław Jasik was a member of the management board of Perła Browary Lubelskie S.A. From 2009 to 2017, Jarosław Jasik was the managing director at Saba Consulting sp. z o.o and from 2011 to 2015 he has been the president of the management board of Saba Nieruchomości sp. z o.o. and from 2011 to 2017 he has been the president of the management board of Secus Property S.A.

Jarosław Jasik graduated from the Faculty of Finance and Statistics at the Warsaw School of Economics, he completed post-graduate studies in management and finance at the Warsaw School of Economics. From 2002 to 2003 he participated in a programme for the management of PZU S.A. at the Herriot-Watt University in Edinburgh.

Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

Bartosz Zabłocki, Member of the Supervisory Board

Bartosz Zabłocki commenced his professional career in 2002 in Contract Administration sp. z o.o. where until 2007 he was the specialist for brand protection. From 2005 he is a partner in the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. Since 2006, Bartosz Zabłocki has been running his own business: "Globetroter Bartosz Zabłocki".

Bartosz Zabłocki graduated from the Department of Law and Administration at the University of Lodz.

Member of the Supervisory Board does not satisfy the independence criteria provided for in § 20, section 2 of the Articles of Association.

Grzegorz Grabowicz, Member of the Supervisory Board

Grzegorz Grabowicz gained knowledge and experience in management while working: over the period 1998 – 2003 in the Audit Department at Deloitte, in 2003 as Financial Controller at Magellan S.A., over the period 2004 – 2017 as Financial Director at Magellan S.A. and Vice President of the Management Board at Magellan S.A. Between 2010 and 2013 he worked as President of the Management Board of MEDFinance S.A. In the years 2007 – 2017 was a Member of the Supervisory Board of Magellan Czech Republic and Magellan Slovakia. Over the period 2013 – 2017 he was a Chairman of the Supervisory Board of MEDFinance S.A. From 2014 to October 2018 Mr Grzegorz Grabowicz was a Member of the Supervisory Board of Skarbiec Holding S.A. From October 2018 he is a Member of the Supervisory Board of Medicalgorithmics S.A.

Grzegorz Grabowicz holds a graduate degree. In 1998 he graduated from the University of Lodz, Faculty of Management and Marketing, specialisation in Accounting, and received a Master's degree in Management and Marketing. In 2010 he completed a programme organised by the Nottingham Trent University and the WSB at the University in Poznań and receive the EMBA (Executive Master of Business Administration) degree. Grzegorz Grabowicz is also a Statutory Auditor.

Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

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

- on 7 March 2018, Mr. Michał Kędzia, the previous Member of the Supervisory Board, resigned from his function in the Supervisory Board of the Company with effect on the 7 March 2018;
- at the same time, the Company's shareholder, i.e. Systexan S.a.r.l. with its registered office in Luxemburg acting pursuant to § 15 section 4(b) of the Articles of Association of XTB, filed a declaration on the appointment of Mr. Marek Strugała to the Supervisory Board of the Company to the Member of the Supervisory Board position on 7 March 2018.
- on 17 October 2018 the Extraordinary General Meeting of the Company appointed the existing supervising persons in XTB, i.e. Mr. Jarosław Jasik, Mr. Łukasz Baszczyński and Mr. Bartosz Zabłocki for the members of the Supervisory Board for the join term of office from 10 November 2018 till the end of 10 November 2021.
- on 25 October 2018 the company has received a statement in which Mr. Jakub Zabłocki uses the permission specified in Paragraph 15 section 4 of the Company's Articles of Association to appoint Mr. Jakub Leonkiewicz to the position of the Chairman of the XTB Supervisory Board for the join term of office from 10 November 2018 till the end of 10 November 2021.
- on 9 November 2018 the company has received a statement in which Systexan S.a r.l. with registered office in Luxembourg uses the permission specified in Paragraph 15 section 4 of the Company's Articles of Association to appoint Mr. Grzegorz Grabowicz to the position of the Member Chairman of the XTB Supervisory Board for the new term of office from 10 November 2018.

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

4.11.2 Powers of the Supervisory Board

The Supervisory Board shall exercise permanent supervision over the operations of the Company in all areas of such operations.

Apart from the matters reserved for the competence of the Supervisory Board by the Code of Commercial Companies, the Supervisory Board shall be responsible, in particular, for:

- evaluation and review of the financial statements for the last financial year and evaluation of the report of the Management Board on the activities of the Company for the last financial year, in terms of their compliance with accounting books and documents, as well as the actual state of affairs, and review of the distribution of profits or covering the losses proposed by the Management Board;
- submitting to the General Meeting of the annual written report on the results of the review and evaluation referred to in point above;
- suspending members of the Management Board in their activities, for material reasons;
- determining conditions of remuneration and employment of members of the Management Board;
- appointing committees referred to in §18 of the Regulations of the Supervisory Board;
- granting consent to the payment of interim dividends;
- approving annual budgets, including the budget of the Company, the budgets of the Subsidiaries, and the consolidated budget of the capital group of the Company;
- appointing an independent external auditor for the Company and the Subsidiaries;
- granting consent to the provision of sureties, guarantees or other forms of collateral for third-party liabilities, excluding any events which are directly and closely related to the operations of the Company, which shall be understood as any activities directly related to the current brokerage activities performed by the Company and the Subsidiaries, and in particular those related to trading in foreign exchange contracts, contracts for difference and any other instruments in the OTC market, including any marketing activities (the "Operations of the Company");
- granting consent to establishment of pledges, mortgages, assignments by way of security, and any other encumbrances on the assets of the Company or the Subsidiaries, not provided for in the budget;
- granting consent to the acquisition, subscription or disposal by the Company or any of the Subsidiaries any shares or stocks in other companies, or any assets or organised part of the enterprise of another company or other companies, or to mergers with (or demergers from) other companies or enterprises by the Company or any of the Subsidiaries, excluding any agreements concluded within the framework of Operations of the Company, if such acquisition, subscription or disposal does not exceed 5% of the share capital of such other company;
- granting consent to the sale, encumbrance, leasing or any other disposal of the real estate of the Company or any of its Subsidiaries, not provided for in the budget approved by the Supervisory Board;
- granting consent to the conclusion of agreements between the Company or any of its subsidiaries and the members of the Managements Board, the Supervisory Board or shareholders of the Company, or any related party, with any

member of the Management Board, the Supervisory Board or any shareholder of the Company, excluding any agreements concluded within the framework of Operations of the Company;

- expressing an opinion on changes to the investment policy of the Company, if any such change would result in the increase, by more than 50%, of the maximum exposure of the Company to market risk, unless the revenues of the Company, as planned in the budget approved by the Supervisory Board, were to increase by more than 50%, and in this case, such an opinion of the Supervisory Board shall be required if the percentage of the increase in the exposure exceeds the percentage of the increase in the revenues, as planned in the budget;
- granting members of the Management Board consent for competitive interests, within the meaning of article 380 of the Code of Commercial Companies;
- granting consent to the disposal by the Company of any right or incurring a liability with a value exceeding EUR 1 000 000 (one million), if any such disposal or liability has not been provided for in the budget approved by the Supervisory Board, including any disposal or liability related to repeated or continuous benefits/services, if the value of benefits arising therefrom exceeds EUR 1 000 000 (one million) per annum. In the event that the total value of all such disposals and liabilities made or incurred by the Company, and not provided for, or exceeding the value provided for, in the budget of the Company, exceeds in the calendar year the amount of EUR 3 000 000 (three million), the Management Board shall be required to request the Supervisory Board for its approval of any disposal of right or liability to be incurred which has not been provided for in the budget of the Company, regardless of the value thereof,
- granting consent to members of the Management Board to take office in the management or supervisory boards of companies from outside the capital group of the Company;
- granting consent to the appointment and dismissal of persons in charge of the internal audit and compliance departments of the Company,
- review and expressing opinion on matters to be discussed and put to a vote at the General Meeting.

4.11.3 The operation of the Supervisory Board

The Chairman of the Supervisory Board manages the work of the Supervisory Board and represents the Supervisory Board before other authorities of the Company. In the case of the absence of the chairman of the Supervisory Board or a vacancy in such position, the above-mentioned rights of the chairman of the Supervisory Board should be exercised by a member of the Supervisory Board authorised thereby to exercise such rights, and if no such authorisation has been granted, by the eldest member of the Supervisory Board.

The Chairman of the Supervisory Board or a member of the Supervisory Board authorised thereby convenes the meetings of the Supervisory Board and chairs such meetings, and if the chairman of the Supervisory Board has not granted the relevant authorisation, the right to convene and chair the meetings is enjoyed by the eldest member of the Supervisory Board. A meeting of the Supervisory Board may also be convened by two members of the Supervisory Board acting jointly.

The Management Board or a member of the Supervisory Board may demand that a meeting of the Supervisory Board be convened by presenting the proposed agenda. Such meeting of the Supervisory Board should be convened for a date falling no later than the 14th day from the date of submitting the request, provided that, if reasonable circumstances exist preventing the presence of at least half of the members of the Supervisory Board at the meeting within the above mentioned deadline, the meeting of the Supervisory Board may be convened not later than within 30 days from the date of filing the application.

Resolutions of the Supervisory Board may also be adopted in writing by circulating the resolution or by using means of direct remote communication.

Members of the Supervisory Board may participate in the adoption of resolutions of the Supervisory Board by casting their vote in writing and delivering it through another member of the Supervisory Board. Such method of voting may only be used when voting on matters already on the agenda of a meeting of the Supervisory Board.

The detailed procedure for the operation of the Supervisory Board and the organisation thereof is set out in the Regulations of the Supervisory Board.

Resolutions of the Supervisory Board will be valid if all of the members of the Supervisory Board have been invited to and at least half are present at a Supervisory Board meeting, including the chairman or a deputy chairman of the Supervisory Board.

The Supervisory Board resolutions are passed by a simple majority. In case of equal number of votes, the vote of the Chairman of the Supervisory Board decides.

4.11.4 Shares of the Company and related entities held by the Supervisory Board Members

Supervising persons did not hold shares in subsidiaries.

The supervising persons did not own shares in related entities.

4.11.5 Positions held by the Supervisory Board Members of the Issuer in the Group companies

Members of the Supervisory Board of the Parent Company did not hold in the reporting period at the same time functions in the bodies of subsidiaries.

4.11.6 Committees of the Supervisory Board

The following committees operate within the Supervisory Board:

- Audit Committee;
- Remuneration Committee;
- Risk Management Committee;
- Nomination Committee.

The duties of the Remuneration Committee, Risk Committee and Nomination Committee are performed by all of the members of the Supervisory Board collectively pursuant to a resolution adopted thereby. From the date of 13 October 2017 the Audit Committee functions as a separate committee, before that date, the duties of the Audit Committee are performed by all of the members of the Supervisory Board.

The Supervisory Board may also appoint other committees. The detailed duties and procedures for the appointment and operation of the committees are provided for in the Regulations of the Supervisory Board.

Audit Committee

In 201 the Audit Committee proceeds in the following composition:

- between 1 January 2018 and 7 March 2018:
  - Jakub Leonkiewicz – Chairman of the Audit Committee;
  - Michał Kędzia – Member of the Audit Committee;
  - Łukasz Baszczyński – Member of the Audit Committee;
  - Bartosz Zabłocki – Member of the Audit Committee;
  - Jarosław Jasik – Member of the Audit Committee;
- between 7 March 2018 and 9 November 2018:
  - Jakub Leonkiewicz – Chairman of the Audit Committee;
  - Marek Strugała – Member of the Audit Committee;
  - Łukasz Baszczyński – Member of the Audit Committee;
  - Bartosz Zabłocki – Member of the Audit Committee;
  - Jarosław Jasik – Member of the Audit Committee;
- between 10 November 2018 till the end of 2018:
  - Grzegorz Grabowicz – Chairman of the Audit Committee;
  - Jakub Leonkiewicz – Member of the Audit Committee;
  - Łukasz Baszczyński – Member of the Audit Committee;
  - Bartosz Zabłocki – Member of the Audit Committee;
  - Jarosław Jasik – Member of the Audit Committee.

Basic assignments taken by the Audit Committee:

- monitoring the financial reporting process;
- monitoring Company's SLC systems, SIC systems, SIA systems including SRM;

- monitoring the performance of financial audit activities, particularly an audit performed by an audit firm, taking into account any conclusions and findings of an inspection carried out at the audit firm;
- checking and monitoring the independence of the statutory auditor of permitted non-audit services;
- presenting to the Supervisory Board offers of audit firms and recommending the selection of a company to conduct audits of financial statements;
- informing the Supervisory Board on the results of the audit and explaining in what way the audit contributed to the honesty of the financial reporting process in the Company, as well as what was the role of the audit committee in the audit process;
- monitoring the independence of the statutory auditor and granting consent for performance of services permitted by him other than financial audits;
- establishing an audit firm selection policy and regularly reviewing this documents;
- establishing the policy for conducting permitted non-audit services by an audit firm carrying out the statutory audit, entities related to this audit firm and any member of the network to which the audit firm and regularly reviewing this documents;
- establishing the procedure of an audit firm selection and regularly reviewing this documents;
- presenting the recommendation regarding selection of the certified auditors or audit firms to the Supervisory Board;
- providing recommendations to ensure reliability of the public-interest entity's financial reporting process;
- adoption of the report on the activities of the Audit Committee for the previous year.

Regarding XTB Audit Committee:

- members who meet the independence criteria:

  In 2018 in the members of the Audit Committee fulfilled the criteria of independence specified in article 129 item 3 of the Act of 11 May 2017 in auditors, audit firms and public supervision:

  - Grzegorz Grabowicz –Chairman of the Audit Committee from 4 December 2018;
  - Jakub Leonkiewicz – Chairman of the Audit Committee until 4 December 2018, Member of Audit Committee from 4 December 2018;
  - Łukasz Baszczyński – Member of Audit Committee;
  - Jarosław Jasik – Member of Audit Committee;
  - Marek Strugała – Member of Audit Committee (Member of the Supervisory Board and Audit Committee until 9 November 2018);

- members with knowledge and skills in the field of accounting or auditing of financial statements, with an indication of how to acquire them

  The persons listed below, who are members of the Audit Committee, acquired as a result of the described education and professional experience knowledge and skills in the field of accounting or auditing of financial statements:

  - Grzegorz Grabowicz graduated from the University of Lodz, Faculty of Management and Marketing, specialisation in Accounting, and received a Master's degree in Management and Marketing in 1998. In 2010 he completed a programme organised by the Nottingham Trent University and the WSB at the University in Poznań and receive the EMBA (Executive Master of Business Administration) degree. Grzegorz Grabowicz is also a Statutory Auditor. Over the period has worked in the Audit Department at Deloitte, in 2003 as Financial Controller at Magellan S.A., over the period 2004-2017 as Financial Director at Magellan S.A.;
  - Jarosław Jasik graduated from the Faculty of Finance and Statistics at the Warsaw School of Economics, he completed post-graduate studies in management and finance at the Warsaw School of Economics. From 2002 to 2003 he participated in a programme for the management of PZU S.A. at the Herriot-Watt University in Edinburgh. He has a broad experience in financial management;
  - Jakub Leonkiewicz graduated in 2002 with a master's degree from the Warsaw School of Economics with a degree in finance and banking. Jakub Leonkiewicz participated in the CEMS Master Program (Community of European Management Schools) at the London School of Economics and was a scholarship holder at the Christian-Albrecht Universität zu Kiel. He gained his professional experience in Roland Berger Strategy Consultants in Germany and also in J.P. Morgan;

- members with knowledge and skills in the industry in which the issuer operates, with an indication of how to acquire them

  - Jakub Leonkiewicz – for over 3 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB. Additionally, in 2001-2002 he worked at Roland Berger Strategy Consultants in Germany. In the years 2002-2015 Jakub Leonkiewicz was associated with J.P. Morgan – first as an analyst in the merger and acquisition team in London and since 2012 as a director of J.P. Morgan in Warsaw, where he was responsible for J.P. Morgan's practice in Poland and the Baltic countries. Currently, he acts as a partner in Avia Capital private equity fund;

– Łukasz Baszczyński – for over 9 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB. additionally, he is a partner at the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. and a partner in Baszczyński & Dąbrowska Intellectual Property Law and a member of the supervisory board of Novama Cloud S.A.;
– Jarosław Jasik – for over 7 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB. Additionally, from 1995 to 1996, he was an Investments Specialist at the Capital Investments Bureau of Ciech S.A. From 1996 he was the director of Public Market, Head of Public Markets and Investment Analyst at XI Narodowy Fundusz Inwestycyjny S.A. From 1999 to 2000, he worked as an expert in the Capital Investments Department at BIG Bank Gdański S.A. From 2000 to 2006, he worked for the PZU S.A. group as: Head of the Project of the Consolidation of the PZU Group, deputy director of the Operating Control Bureau, member of the management board of PZU Tower sp. z o.o. and vice president for finance at PZU Ukraina;
– Bartosz Zabłocki – for over 3 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB. From 2005 he is a partner in the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k.

- information on providing services by audit firm examining financial statement permitted non-audit services and on conducted assessment of independency of audit firm and expressed consent for providing these services

In 2018, the audit firm Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. performed the following permitted non-audit services:

– review of the condensed financial statements for the six months ended on 30 June 2018;
– review of the process of storing and protecting the assets of Company's clients on 31 December 2018.

The above services were performed based on the consent of the Supervisory Board of 25 May 2017.

Due to the fact that the audit and other services agreement for 2017-2018 was signed on 21 June 2017, and therefore prior to date of the companies' adjusting with the new provisions of the new act on statutory auditors, audit firms and public oversight, in connection with the above, the Audit Committee was not obliged to express consent to these services. Assessment of the independence of the auditing company belongs to the tasks of the Audit Committee, which controls and monitors this independence, in particular in the event that there are other than audit of financial statement services provided to the Company by the audit firm.

- the main assumptions of the developed policy of selecting an audit firm to conduct the audit and the policy for the provision of permitted non-audit services by the audit firm conducting the audit, entities related to this audit firm and by a member of this audit firm's network

On 13 October 2017 Supervisory Board approved:

– Procedure of selecting an audit firm;
– Policy of selecting an audit firm;
– Policy for the provision of permitted non-audit services by the audit firm.

<u>Procedure for selection an audit firm:</u>

The purpose of the Procedure is to describe the process of selecting an audit firm. This procedure contains the following elements:

– offer inquiry;
– evaluation of offers;
– selection of the offer;
– conclusion of the agreement or repeated selecting.

<u>Policy for selection of audit firm:</u>

The purpose of the Policy is to define rules and criteria for selection of audit firm, which will conduct audit in the Company. It describes:

- selection criteria for entities authorized to conduct the audit;
- evaluation criteria of offers received;
- criteria for the independence assessment carried out by the Audit Committee;
- rules for submitting and selecting offers.

Policy for the provision of permitted non-audit services by the audit firm:

The purpose of the Policy is to define general principles on which the audit firm conducting audit may provide services to the Company or entities affiliated with the Company. The policy includes a catalog of the permitted services.

- recommendation regarding the selection of an audit firm to conduct the audit

  In 2018, the Supervisory Board of the Company selected a new audit firm PricewaterhouseCoopers Sp. z o.o. for the audit of the Company's financial statements for 2019 and 2020. The selection of a new entity authorized to audit financial statements was carried out on the basis of the Policy for selection of audit firm in force in the Company and the Procedure for selecting an audit firm to audit XTB's financial statements. The core of the procedure was the Audit Committee's execution of analysis of the submitted offers in terms of the requirements specified under the Act of Auditors as well as the criteria and guidelines set out in the above mentioned Policy. As a result of analyzing and comparing offers, the Audit Committee recommended two audit firms to the Supervisory Board, at the same time indicating PricewaterhouseCoopers Sp. o.o., as the preferred one.

  The Supervisory Board, after having familiarized itself with the recommendation, chose the entity preferred by the Audit Committee.

  Summarizing, the recommendation of the Audit Committee regarding the selection of an audit firm to conduct the audit for 2019-2020 was made as a result of a selection procedure, which meets all binding criteria.

- number of meetings of the Audit Committee or meetings of the Supervisory Board or other supervisory or controlling body dedicated to performing the duties of the Audit Committee

  In 2018 four meetings of the Company's Audit Committee were held.

Remuneration Committee

The function of the Compensation Committee in the Company is performed by the entire Supervisory Board. The tasks of the Compensation Committee include:

- expressing opinion on the variable remuneration components policy, including the amount of remuneration and the components of remuneration;
- expressing opinion on performing the variable remuneration components policy;
- expressing opinion on and monitoring of payment of the remuneration variable components to the persons holding managerial positions responsible for risk management, internal audit and compliance of the brokerage house's activity with law;
- determining list of the persons holding managerial positions in the Company, and;
- approving the planned amount of remuneration and the components of remunerations of the persons holding managerial positions.

Risk Management Committee

The function of the Risk Management Committee is performed by the entire Supervisory Board in the Company. The main tasks include:

- developing a draft document regarding the risk appetite of a brokerage house;
- expressing opinions on the strategy of a brokerage house developed by the Management Board in the scope of risk management;
- supporting the Supervisory Board in monitoring the implementation of the brokerage house strategy in terms of risk management by the Management Board;
- verification of the remuneration policy and the rules of its implementation in terms of adjusting the remuneration system to the risk to which the brokerage house is exposed, its capital, liquidity and probabilities and dates of obtaining income.

Nomination Committee

The function of the Nominating Committee is performed by the entire Supervisory Board. Its main tasks include:

- recommending candidates for the management board of the brokerage house, taking into account the necessary knowledge and skills as well as the experience of the management board as a whole, necessary to manage the brokerage house, and taking into account diversity in the composition of the management board of the brokerage house;
- defining the scope of duties for the candidate to the management board of a brokerage house, knowledge and skills requirements and anticipated commitment in terms of time spent, that is necessary to perform the function;
- conducting periodic reviews, at least once a year, of the knowledge, skills and experience of the board as a whole and individual board members and informing the management board about the results of this assessment;
- periodically reviewing management's policy regarding the selection and appointment of persons holding management positions and presenting recommendations to the management board in this regard.

4.11.7 The control system for employee share schemes

With the exception of the Incentive Scheme introduced on the basis of the shareholders' agreement of 28 March 2011 adopting the option plan of the Company concluded between XXZW and SYSTEXAN in the execution of the investment agreement (of which the Company informed in detail in the Prospectus), XTB does not operate employee share program. On 23 December 2016, members of the Management Board entitled under the Incentive scheme exercised their entitlement to acquisition of XTB shares.

4.12 General Meeting of Shareholders

The operation of the General Meeting of the Company and its powers are contained in the Articles of Association and the Regulations of the General Meeting of X-Trade Brokers Dom Maklerski SA with its registered office in Warsaw, which is available on the Company's website under www.xtb.pl in Investors Relations section.

4.12.1 Operation of the General Meeting

General Meetings is convened by the Management Board as ordinary or extraordinary.

Ordinary General Meetings are held annually, not later than within six months after the end of the financial year.

Extraordinary General Meetings are convened in the circumstances specified in the Commercial Companies Code or in the Articles of Association and also if the authorities or persons authorised to convene General Meetings believe such to be necessary.

Ordinary General Meeting may be convened by the Supervisory Board, if the Management Board fails to convene it on time. The Supervisory Board may also convene the extraordinary General Meeting if it deems it necessary. The right to convene an extraordinary General Meeting is also vested with the Company's shareholders representing at least one-half of the Company's share capital or at least one-half of the total number of votes in the Company. In such case, the Company's shareholders will appoint the chairman of such General Meeting.

Furthermore, a shareholder or shareholders of the Company representing at least one-twentieth of the Company's share capital may request that an extraordinary General Meeting be convened and that certain matters be placed on the agenda of such General Meeting. The request to convene the extraordinary General Meeting must be submitted to the Management Board in writing or in electronic form. If within two weeks from the submission of such request to the Management Board the extraordinary General Meeting is not convened, the registry court may authorise the Company's shareholders submitting such request to convene an extraordinary General Meeting. In such case, the chairman of the General Meeting is appointed by the court.

4.12.2 Powers of General Meetings

According to the Commercial Code of Companies, tasks of the General Meeting include in particular:

- the consideration and approval of the Management Board's report on the Company's Operations and the financial statements for the previous financial year,

- the granting of a vote of approval to the members of the Management Board and the Supervisory Board with respect to the performance of their duties,
- decisions regarding claims for the redress of damage caused while establishing the Company or exercising management or supervision over the Company,
- the sale or lease of the Company's enterprise or an organised part thereof and the establishment of a limited property right thereon,
- making a distribution of profit or covering of losses,
- issue of convertible bonds or bonds with priority rights and subscription warrants, referred to in art. 453 § 2 of the CCC,
- liquidation of the Company,
- the acquisition of own shares for redemption, redemption and reduction of share capital of the Company,
- the merger, transformation or split of the Company,
- amending the Articles of Association of the Company.

According to the Articles of Association, the competences of the General Meetings include also:
- the approval of the Regulations of the Management Board,
- the adoption of the Regulations of the Supervisory Board,
- the determination of the rules and amount of the remuneration of the members of the Supervisory Board,
- the creation, drawing upon and liquidation of reserve capitals and other special-purpose funds and the drawing upon the supplementary capital.

The resolutions of the General Meeting passed by an absolute majority of votes, unless the law or the Articles of Association provide for stricter requirements for the adoption of the resolution.

As of the Dematerialisation Date, the General Meeting will be deemed to have been validly convened regardless of the number of shares represented thereat, provided that the General Meeting will be able to adopt a resolution regarding the amendment to §15, sections 3 and 4 of the Articles of Association only in the presence of shareholders representing at least 2/3 (two-thirds) of the overall number of votes a the General Meeting.

4.12.3 Rights and obligations related to the Shares

Certain rights and obligations related to the Shares are presented below. The issues regarding the rights and obligations related to the shares are specifically regulated under the Polish Commercial Companies Code, the Act on Public Offering, the Act on Trading in Financial Instruments and the Articles of Association.

The Articles of Association do not contain provisions regarding the threshold amount of shares owned, beyond which it is necessary to state the shareholding of the Company shareholder or contain provisions imposing stricter conditions governing changes in capital than specified by the applicable law.

Right to dispose of the Shares

The shareholders of the Company have the right to dispose of shares. Disposal of shares consists of their disposal (transfer of ownership) and other forms of the ordinance, including pledging, establishing rights of use and their lease.

Dividend

The shareholders of the Company have the right to participate in the profit, which will be shown in the annual financial statement audited by the statutory auditor, designated by the resolution of the General Meeting for payment to the shareholders of the Company (right to dividend).

The Ordinary General Meeting is the body authorized to make decisions on the distribution of the Company's profit and dividend payment. The Ordinary General Meeting of Shareholders adopts a resolution on whether and what part of the Company's profit shown in the financial statements, audited by the statutory auditor, should be used to pay dividends. The Ordinary General Meeting should take place within six months after the end of each financial year (the financial year corresponds to the calendar year), ie by the end of June.

The Ordinary General Meeting also sets the date of the dividend and the date of dividend payment. The dividend day may be designated as at the date of adoption of the resolution on the distribution of profit or within the next three months, counting from that day.

The amount to be distributed among the shareholders of the Company may not exceed the profit for the last financial year, increased by undistributed profits from previous years, and amounts transferred from the supplementary and reserve capital created from profit, which may be allocated for the payment of dividends. However, this amount should be reduced by uncovered losses, own shares and amounts that, according to the Commercial Companies Code or the Articles of Association, should be allocated from the profit for the last financial year to supplementary or reserve capital.

The Management Board may pay shareholders an advance on the anticipated dividend at the end of the financial year if the Company has sufficient funds to pay. The advance payment requires the consent of the Supervisory Board. The company may pay an advance if its approved financial statements for the previous financial year show profit. The advance may amount to at most half of the profit earned from the end of the previous financial year, shown in the financial statements audited by the statutory auditor, increased by reserve capital created from profit, which the Management Board may use to distribute advances and reduced by uncovered losses and own shares.

The right to dividend is payable to persons on accounts of which dematerialized shares (bearer shares) are kept on the dividend day and to entities authorized to sell dematerialized Shares on a collective account.

A shareholder's claim against the Company for payment of a dividend may be made within 10 years, starting from the date of adoption by the ordinary General Meeting of a resolution to allocate all or part of the Company's profit to be paid to shareholders. After this date, the Company may evade payment of the dividend, raising the plea of limitation.

Terms of payment of dividend

The conditions for the receipt of dividends by the shareholders of the Company correspond to the rules adopted for public companies. The resolution on dividend payment should indicate the date of determining the right to dividend (dividend day) and the dividend payment date. Subject to the provisions of the Rules and Regulations of the NDS, the dividend day may be designated as at the date of adoption of the resolution or within the next three months, counting from that day. The dividend is paid on the day specified in the resolution of the General Meeting, and if the resolution of the General Meeting does not specify such a day, the dividend is paid on the day determined by the Supervisory Board.

Pre-emption right

The shareholders of the Company have the right to subscribe for the new shares of the Company in relation to the number of Shares held (pre-emptive right). The Company's shareholders have the right of priority to acquire new shares of the Company in relation to the number of Shares held, with the pre-emptive right also for issuing securities convertible into shares of the Company or incorporating the right to subscribe for shares of the Company.

The resolution on increasing the share capital of the Company should indicate the day according to which the shareholders of the Company are designated who have the right to collect new shares (day of subscription right). The subscription right can’t be determined later than within six months from the day the resolution was passed.

The agenda of the General Meeting at which a resolution to increase the share capital of the Company is to be adopted should specify the proposed day of subscription right. Depriving the Company's shareholders of the right to acquire the shares of the new issue of the Company may take place only in the interest of the Company and in the event that it was announced in the agenda of the General Meeting. The Management Board presents the General Meeting with a written opinion justifying the reasons for the deprivation of the pre-emptive right and the proposed issue price of new shares of the Company or the method of its determination. A majority of at least four fifths of votes is required to pass a resolution regarding the deprivation of the Company's shareholders rights.

The above-mentioned requirements regarding the adoption of a resolution regarding the deprivation of the current shareholders of the Company's pre-emptive rights are not applicable if:

- the resolution on capital increase states that the new shares of the Company are to be fully covered by the financial institution (underwriter), with the obligation to offer them to the shareholders of the Company in order to enable them to exercise the pre-emptive right on the terms specified in the resolution;
- the resolution states that the new shares of the Company are to be taken up by the underwriter in the event that the shareholders of the Company, with whom the pre-emptive right is used, will not take part or all of the shares offered to them.

Right to a share in the assets in the case of the liquidation of the Company

If the Company is liquidated, the assets remaining after the satisfaction or securing of the creditors of the Company are divided between the shareholders of the Company on a pro rata basis to their contributions to the share capital.

The right to participate in the General Meeting and voting rights

The shareholder exercises the right to vote at General Meetings. Pursuant to the Code of Commercial Companies, General Meetings may be ordinary (ordinary General Meetings) or extraordinary (Extraordinary General Meetings).

Each Action gives the right to one vote at the General Meeting.

A shareholder of the Company may participate in the General Meeting and exercise the right to vote in person or through a proxy. A shareholder of the Company intending to participate in the General Meeting through a proxy must give the proxy proxies in writing or in electronic form. The Company takes appropriate actions to identify the Company's shareholder and proxy in order to verify the validity of the power of attorney granted in electronic form.

A detailed description of the manner of verifying the validity of the power of attorney granted in electronic form includes an announcement on convening the General Meeting.

Pursuant to the Articles of Association, participation in the General Meeting by means of electronic communication is allowed, subject to the following. In the event that the announcement on convening the General Meeting contains information about the possibility of shareholders participating in the General Meeting using electronic means of communication, the Company is obliged to provide shareholders with the opportunity to participate in the General Meeting using electronic means of communication.

The detailed rules for conducting the General Meeting using electronic means of communication are determined by the Management Board, taking into account the provisions of the Regulations of the General Meeting. The Management Board announces the rules on the Company's website along with the announcement on convening the General Meeting.

A shareholder of the Company holding shares registered on more than one securities account may appoint separate proxies to exercise the rights attached to shares registered on each account.

If a representative of a shareholder of the Company at the General Meeting is a member of the Management Board, a member of the Supervisory Board, liquidator, employee of the Company or a member of the bodies or employee of a subsidiary or a subsidiary of the Company, the power of attorney may authorize to represent only one General Meeting.

The proxy is obliged to disclose to the shareholder of the Company circumstances indicating the existence or the possibility of a conflict of interests. In this case, granting a further power of attorney is unacceptable. The proxy referred to above votes in accordance with the instructions provided by the shareholder of the Company.

Each share gives the right to one vote at the General Meeting. The Articles of Association do not provide for voting preference. A shareholder may vote differently from each of the shares held. A proxy may represent more than one shareholder of the Company and vote differently from the shares of each shareholder of the Company.

A shareholder of the Company may not, either personally or by proxy, vote on adopting resolutions regarding his liability towards the Company for any reason, including granting a vote of acceptance, exemption from obligations towards the Company and a dispute between him and the Company. The above limitation does not apply to voting by a shareholder of the Company as a proxy of another shareholder when adopting resolutions regarding the person referred to above.

Only persons who are shareholders of the Company sixteen days before the date of the General Meeting (day of registration of participation in the General Meeting) have the right to participate in the General Meeting. In order to participate in the General Meeting, those entitled from the dematerialized Bearer Stocks of the Company should request the entity maintaining their securities account to issue a personal certificate on the right to participate in the General Meeting. The demand should be presented not earlier than after the announcement of convening the General Meeting and no later than the first weekday after the date of registration of participation in the General Meeting.

Holders of registered shares and temporary certificates, as well as pledgees and users who have the right to vote, have the right to participate in the General Meeting, if they are entered into the book of shares on the day of registration of participation in the General Meeting.

The list of persons entitled to participate in the General Meeting is determined on the basis of the list prepared by the entity keeping the securities deposit in accordance with the Act on Trading in Financial Instruments and on the basis disclosed in the Company's share register on the day of registration of participation in the General Meeting. The above list is displayed at the Company's office for three days preceding the day of the General Meeting. The Company's shareholder may request that the list of shareholders entitled to participate in the General Meeting be sent to him free of charge via e-mail, providing his own e-mail address to which the list should be sent.

In relation to shares registered on a collective account, a certificate confirming the right to participate in the General Meeting shall be a document with appropriate content issued by the holder of the said account. If the omnibus account is maintained by NDS (or an entity employed by NDS to perform duties related to the maintenance of securities), information on the holder of such an account should be disclosed to NDS (or an entity employed by NDS to perform duties related to the operation of the securities depository)) by the entity conducting a collective account for it before the first issue of such a document.

On the basis of the above-mentioned documents, the omnibus account holder will prepare a list of persons authorized to participate in the General Meeting. If the omnibus account holder is not a NDS participant (or a bank employed by NDS in order to perform duties related to the securities depository), the list of persons authorized to participate in the General Meeting is delivered through a NDS participant (or a bank that NDS has employed to perform its duties associated with keeping a securities depository).

The Company's shareholder may transfer the Shares in the period between the date of registration of participation in the General Meeting and the date of closing the General Meeting.

Right to place particular matters on the agenda

A shareholder or shareholders of the Company representing at least one twentieth of the Company's share capital may request that specific matters be placed on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the General Meeting. The request may be submitted in electronic form. The Management Board is obliged to announce immediately, but no later than eighteen days before the set date of the General Meeting, changes to the agenda introduced at the request of the Company's shareholders. The announcement is made in a manner appropriate for convening the General Meeting.

Manner in which the General Meeting is convened

The General Meeting is convened through an announcement made on the Company's website and in a manner specified for the provision of current information in accordance with the Act on Public Offering. The announcement should be made at least twenty-six days before the date of the General Meeting. The announcement about the General Meeting should include in particular:

- the date, time and place of the General Meeting and the detailed agenda,
- a precise description of the procedures for participation in the General Meeting and the exercise of voting rights,
- day of registering participation in the General Meeting,
- information that only persons who are shareholders of the Company on the registration date of participation in the General Meeting have the right to participate in the General Meeting,
- an indication of where and how a person entitled to participate in the General Meeting may obtain the full text of documentation to be presented to the General Meeting and draft resolutions or, if no resolutions are envisaged, comments of the Management Board or Supervisory Board regarding matters introduced into the agenda the General Meeting or issues that are to be included in the agenda before the date of the General Meeting,
- indication of the address of the website on which information on the General Meeting will be made available.

Pursuant to the Regulation on Reports, the Company will be required to submit in the form of a current report, among others the date, time and place of the General Meeting together with its detailed agenda.

In addition, in the event of a planned amendment to the Statute, the current provisions, the content of the proposed amendments and if, due to a large scope of intended changes, the Company makes a decision to prepare a new uniform text, the new uniform text of the Articles of Association together with the calculation of its new provisions. The content of draft resolutions and attachments to the projects to be discussed at the General Meeting that are relevant to the resolutions adopted shall also be announced in the form of a current report.

Venue of the General Meeting

General Meetings are held in the Company’s registered office.

Right to propose draft resolutions to the Company

A shareholder or shareholders of the Company representing at least one-twentieth of the share capital may submit to the Company in writing or using electronic communication means draft resolutions regarding matters included in the agenda of the General Meeting or issues to be included in the agenda prior to the date of the General Meeting. The company immediately publishes draft resolutions on its website.

Right to demand the issuance of duplicates of motions

Each shareholder of the Company has the right to demand copies of motions regarding issues included in the agenda of the next General Meeting. Such a request should be submitted to the Management Board, no later than one week before the General Meeting.

Right to demand that the list of participants of the General Meeting be verified

Immediately after the election of the chairman of the General Meeting, an attendance list containing a list of participants of the General Meeting should be drawn up, specifying the number of shares of the Company that each of them presents and their votes. The attendance list should be signed by the chairman of the General Meeting and presented during the meeting. At the request of shareholders holding one-tenth of the share capital represented at the General Meeting, the attendance list should be checked by a committee elected for this purpose, composed of at least three persons. Applicants have the right to choose one member of the commission.

Right to information

The Management Board is obliged to provide the Company's shareholder, during the General Meeting, upon request with information regarding the Company, if it is justified for the assessment of a matter covered by the agenda of the General Meeting. If there are important reasons to do so, the Management Board may provide information in writing outside the General Meeting. In such a case, the Management Board is obliged to provide information not later than within two weeks from the day the shareholder filed a request at the General Meeting.

The Management Board refuses to provide information if it could cause damage to the Company, a company associated with the Company or a company or a cooperative subsidiary of the Company, in particular by disclosing technical, commercial or organizational secrets of the company. A member of the Management Board may refuse to provide information if the provision of information could be the basis of his criminal, civil or administrative liability.

The information provided to the Company shareholder should be made available to the public in the form of a current report.

A shareholder who was refused to disclose the information requested during the General Meeting and who filed an objection to the Minutes may submit an application to the registry court to oblige the Management Board to provide information. Such a request should be submitted within one week from the end of the General Meeting at which information was refused. A shareholder may also submit an application to the registry court for obliging the Company to publish information provided to another shareholder outside the General Meeting. Pursuant to the Regulation on Reports, the Company will be obliged to provide in the form of a current report information provided to a shareholder following the Management Board's obligation by the registry court in the cases referred to above.

Right to demand the issuance of duplicates of the annual financial statements

Each shareholder of the Company has the right to request copies of the Management Board's report on the Company's operations and financial statements along with a copy of the Supervisory Board's report and the auditor's opinion no later than fifteen days before the General Meeting.

Right to request the election of the Supervisory Board by separate groups

At the request of the Company's shareholders representing at least one fifth of the Company's share capital, the Supervisory Board should be elected by the next General Meeting by voting in separate groups. In this case, the mode provided for in the Statute will not be applicable and the shareholders will apply the procedure provided for in the Code of Commercial Companies. The mechanism of such selection is as follows: the total number of Company shares is divided by the total number of members of the Company's Supervisory Board. Shareholders who represent such a number of shares may form a separate group to elect one member of the Supervisory Board and may not vote in the selection of other members. If, after a vote in the voting mode, separate groups in the Supervisory Board remain vacancies, shareholders who have not participated in the creation of any group will be entitled to elect other members of the Supervisory Board. If the election of the Supervisory Board is made by way of voting in separate groups, the limitation of the preference for voting rights does not apply, and each Action gives the right to one vote, excluding restrictions on shares that do not entitle to exercise voting rights.

Right to appeal against the resolutions of the General Meeting

The Company's shareholders are entitled to appeal against resolutions adopted by the General Meeting by way of an action to repeal a resolution or an action for annulment of a resolution.

Action for the revocation of a resolution

A resolution of the General Meeting that is contrary to the Statute or decency and which harms the interest of the Company or intended to harm a shareholder of the Company may be appealed against by way of action against the Company for repealing the resolution.

An action to cancel a resolution of the General Meeting should be brought within one month from the date of receipt of information about the resolution, however not later than within three months from the date of adopting the resolution.

Action to have a resolution declared invalid

A resolution of the General Meeting contrary to the Act may be challenged by an action brought against the Company for the annulment of a resolution.

An action for annulment of a resolution of the General Meeting should be brought within thirty days from the date of its announcement, but no later than one year from the date of adoption of the resolution.

Entities authorised to challenge resolutions of the General Meeting

The following persons have the right to file an action seeking to have a resolution of the General Meeting declared invalid or an action for the revocation of a resolution of the General Meeting:

- the Management Board, the Supervisory Board and the individual members thereof;
- a shareholder of the Company who voted against the resolution and who upon the adoption thereof requested that his objection be recorded in the minutes of the General Meeting;
- a shareholder of the Company who was refused participation in the General Meeting without providing a good reason;
- the shareholders of the Company who were not present at the General Meeting – only if the General Meeting was improperly convened or in the case of a resolution on a matter which was not included on the agenda.

Change to the Rights Entrusted with the Company's Shareholders

A change in the rights of shareholders in the form of amending the provisions of the Statute requires a resolution of the General Meeting adopted by a three-fourths majority of votes and an entry in the Register of Entrepreneurs of the National Court Register. In addition, a resolution to amend the Articles of Association, increasing the benefits of the Company's shareholders or reducing the rights granted personally to the Company's shareholders, requires the consent of all shareholders of the Company to whom it applies.

Redemption of Shares

Shares may be redeemed by way of a decrease in the share capital of the Company, however, the redemption requires the consent of the shareholder of the Company. The Statute does not contain a provision regarding the compulsory retirement of the Shares.

The conditions, legal basis and procedure for redemption of shares and the amount of remuneration for redeemed shares or justification for redemption without remuneration shall be determined each time by the General Meeting in the form of a resolution.

Right to Request the Appointment of a Special-Purpose Auditor

According to art. 84 of the Act on Public Offer, at the request of a shareholder or shareholders of the Company, holding at least 5% of the total number of votes, the General Meeting may adopt a resolution regarding the examination by a court expert of a specific issue related to the creation of the Company or conducting its affairs. These shareholders may, for this purpose, request that an extraordinary General Meeting be convened or that the matter of adopting this resolution be placed on the agenda of the next General Meeting. If the shareholders decide to take advantage of the first option and within two weeks from the date of requesting convening such a General Meeting, the Extraordinary General Meeting will not be convened, the registry court may authorize the shareholders of the Company to submit the request to convene an extraordinary General Meeting. The court appoints the chairman of this General Meeting. If shareholders decide to use the second option and request that the resolution be placed on the agenda of the next General Meeting, such request must be delivered to the Management Board in writing no later than twenty one days before the planned date of the General Meeting.

The resolution of the General Meeting on the selection of the auditor for special matters should specify in particular:

- the data of the special-purpose auditor, which auditor should be approved in writing by the requesting shareholder;
- the subject and the scope of the audit, which should comply with the contents of the request, unless the requesting party consented in writing to change the subject and scope of the audit;
- the types of documents that should be made available to the auditor by the Company; and
- the start date of the audit, which should not be later than three months from the date of the adoption of the resolution.

If the General Meeting fails to adopt the resolution in accordance with the request or adopts such resolution in breach of Article 84 clause 4 of the Act on Public Offering, the requesting parties may, within 14 days of the date of the adoption of the resolution, request that the registry court appoint the identified entity as a special purpose auditor.

The auditor for special matters may only be an entity having the expertise and qualifications necessary to examine the matter specified in the resolution of the General Meeting, which will ensure the preparation of a reliable and objective audit report. The auditor for special matters may not be an entity providing services to the Company, its parent or subsidiary in the audited period, as well as its parent entity or a significant investor within the meaning of the Accounting Act. The auditor for special matters may also not be an entity that belongs to the same capital group as the entity that provided the services referred to above.

The Management Board and the Supervisory Board are required to make available to the special-purpose auditor such documents as have been specified in the resolution of the General Meeting upon the appointment of the special purpose auditor, or upon the decision of the court on the appointment of the special purpose auditor, and to provide the auditor with the explanations necessary for carrying out the audit.

The special purpose auditor is required to present to the Management Board and the Supervisory Board of the company a written report on the audit results. The Management Board is required to announce the report in the form of a current report. The report of the special purpose auditor may not disclose information that constitutes a technical, trade or organisational secret of the Company, unless it is necessary for justifying the position presented in the report.

The Management Board is required to submit a report on the consideration of the audit findings at the next General Meeting.

4.13 Change of the Articles of Association of the Company

Change of the Articles of Association of the Company in accordance with the provisions of the Commercial Companies Code, is within the competence of the General Meeting. The resolution concerning amendments to the Statute is adopted by a majority of three-quarters of votes.

Resolution on amendments to the statute, increasing the benefits of shareholders or limiting the rights granted personally to individual shareholders in accordance with art. 354 Commercial Companies Code, requires the consent of all shareholders concerned.

4.14 The main features of internal control and risk management in relations to the proces of preparing separate and consolidated financial statements

The system of internal control and risk management in relation to the process of preparing separate financial statements and consolidated financial is directly under the Management Board of the parent company. Supervision over the process of preparation of financial statements lies with the Financial Director. Financial statements are prepared by the Finance and Accounting Department of the parent company under the supervision of the Chief Accountant. The Parent Company also controls and analyses costs in terms of financial targets.

In order to eliminate the risks associated with the preparation of financial statements, also of the Group subsidiaries are annually audited by the independent auditor. The Group constantly monitors the performance of individual areas and compares to financial targets. The annual financial statements of the Parent Company and the annual consolidated financial statements of the Group are audited by an independent auditor. While the half-year financial statements of the Parent Company and consolidated half-year financial statements of the Group are reviewed by the certified auditor. The quarterly and half-yearly condensed consolidated financial statements of the Group as well as the annual financial statements of the Parent Company and the Group are approved prior to publication by the Management Board of the Parent Company.

4.15 Remuneration Policy

According to the internal system of remuneration, employees receive salary for the work corresponding to the type of work performed and the qualifications required for its performance, taking into account the quality and quantity of work performed.

4.15.1 Remuneration of the Management Board members

The remuneration of Board members is determined adequate to their function and to the scale of operations of the company. The total remuneration consists of the following:

- Fixed remuneration – flat monthly base compensation (for a calendar month).
- variable remuneration– supplementary remuneration for a given financial year depending on the extent to which management objectives are attained. The employment contracts with the members of the Management Board shall determine the amount and the components of remuneration, also provide the opportunity to receive additional commissions or annual bonus granted in the amount and under the conditions specified separately. According to the adopted policy of variable remuneration components, employees holding key management positions may receive variable remuneration paid in cash and in the form of a financial instrument.

  Key parameters determining the variable remuneration components have been described in the Policy of Variable Remuneration Components in X-Trade Brokers DM S.A. of 12 December 2016.

Assumptions of implementation of the Variable Remuneration Components Policy are determined by the Supervisory Board, acting as the Remuneration Committee, with the approval of the budget of the brokerage house for the year.

The Supervisory Board, after verification of the fulfilment of the criteria and justification for obtaining the Variable Component of Remuneration may approve granting of a premium in derivatives based on the value of XTB shares, for the realization of plans for the year.

The bonus is determined by the Supervisory Board in the form of a resolution on the terms specified in the Policy of Variable Remuneration Components. The bonus must meet the following conditions:

- take into account the company's results for the period in which the person holds a position, but not longer than for the last 3 financial years;
- should consider the way of performance of the tasks assigned to a person holding a managerial position based on internal organizational rules of the company and on the basis of regulations of organizational units directed by that person for the period in which the person holds a managerial position, but not longer than for the previous 3 years.

The employment contracts of the members of the management board do not provide for severance pay in case of termination.

Due to the fact that the members of the management board were concluded non-competition agreements, in respect of compliance with this prohibition on competition after termination of employment of board members, they shall be entitled to compensation, the amount of which was determined as follows:

- Member of Management Board – Mr Paweł Szejko is entitled to compensation amounting to 50% of gross salary received by the employee before the termination of employment for a period corresponding to the non-competition, payable in 12 monthly instalments;

The tables below presents the remuneration received by each member of the Management Board in 2018 and 2017. These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Fixed remuneration

NAME AND SURNAME	FIXED REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000)	
	2018	2017
Omar Arnaout[1]	524	445
Paweł Szejko	407	340
Filip Kaczmarzyk[2]	469	395
Jakub Kubacki[3]	158	-
Paweł Frańczak[4]	233	400
Jakub Malý[5]	-	101
Jakub Zabłocki[6]	-	-

[1]) Omar Arnaout on 10.01.2017 was appointed as a member of the Management Board for Sales in the rank of Vice President of the Board. On 23.03.2017 he was appointed the President of the Management Board;

[2]) Filip Kaczmarzyk on 10 January 2017 was appointed a member of the Management Board for Trading;

[3]) Jakub Kubacki on 10 July 2017 was appointed a member of the Management Board for Legal;

[4]) Paweł Frańczak on 25 April 2018 resigned from position of a Member of the Management Board of the Company;

[5]) Jakub Malý held the position of the President of the Management Board to a member of the Management Board until 10.01.2017;

[6]) Jakub Zabłocki held the position President of the Management Board in period from 10.01.2017 to 23.03.2017.

Variable remuneration

NAME AND SURNAME	VARIABLE REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000)	
	2018	2017
Omar Arnaout[1]	163	92
Paweł Szejko	144	37
Filip Kaczmarzyk[2]	183	34
Jakub Kubacki[3]	-	-
Paweł Frańczak[4]	301	76
Jakub Malý[5]	-	943
Jakub Zabłocki[6]	-	-

[1]) *Omar Arnaout on 10.01.2017 was appointed as a member of the Management Board for Sales in the rank of Vice President of the Board. On 23.03.2017 he was appointed the President of the Management Board;*
[2]) *Filip Kaczmarzyk on 10 January 2017 was appointed a member of the Management Board for Trading;*
[3]) *Jakub Kubacki on 10 July 2017 was appointed a member of the Management Board for Legal;*
[4]) *Paweł Frańczak on 25 April 2018 resigned from position of a Member of the Management Board of the Company;*
[5]) *Jakub Malý held the position of the President of the Management Board to a member of the Management Board until 10.01.2017;*
[6]) *Jakub Zabłocki held the position President of the Management Board in period from 10.01.2017 to 23.03.2017.*

Non-wage benefits enjoyed by individual members of the management board and key managers include health benefits, vacation benefits, provision of recreation and sports, and Christmas vouchers. In addition, in the reporting period board members - Filip Kaczmarzyk, Jakub Kubacki and Paweł Frańczak were provided with a company car.

4.15.2 Agreements concluded with the management, including compensation in case of resignation or dismissal from the position without a material ground or their removal or dismissal is due to the Company's merger by acquisition

As at 31 December 2018, and as at the date of publication of this report in the Parent Company and the Group companies there were no agreements with management providing for compensation in case of their resignation or dismissal from the position without a material reason or if their removal or dismissal is due to merger of the Parent Company by acquisition.

4.15.3 Remuneration of the Supervisory Board members

The table below presents the remuneration received by the members of the Supervisory Board of the Company. The total remuneration include gross salaries and contributions to social security paid for by the employer.

NAME AND SURNAME	VARIABLE REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000)	
	2018	2017
Jakub Leonkiewicz	39	21
Łukasz Baszczyński	26	17
Jarosław Jasik	26	20
Bartosz Zabłocki	26	20
Michał Kędzia[1]	-	-
Marek Strugała[2]	16	-
Grzegorz Grabowicz[3]	6	-

[1]) *Michał Kędzia resigned from position of a Member of the Supervisory Board on 7 March 2018.*
[2]) *Marek Strugała held the position of a Member of the Supervisory Board until 9 November 2018;*
[3]) *Grzegorz Grabowicz was appointed as a Member of the Supervisory Board for the new term of office from 10 November 2018.*

4.15.4 Information on liabilities arising from pensions and similar benefits for former members of management, supervisory and administrative bodies

As at 31 December 2018 there were no liabilities arising from pensions and similar benefits for former members of management, supervisory or administrative bodies, as well as no liabilities incurred in relation with these pensions.

4.15.5 Changes in the remuneration policy

In 2018, there were no changes in the remuneration policy.

4.15.6 Assessment of the remuneration policy

The general principles of the remuneration policy are aimed to ensure the coherence of the system of remuneration and additional benefits for employees with the strategy of long-term development of the company and taking into account the costs adopted in the financial plan, while maintaining compliance of risk management and stability of the company.

Additionally, assumptions of the variable components of the remuneration for persons in key positions, which should strengthen the relationship between the amount of the variable part of the remuneration and the implementation of long-term company growth, contributes significantly to the stabilization of the company's operations and its shareholder value growth.

Evaluation of the remuneration policy is under the Supervisory Board, which exercises ongoing supervision over the adopted remuneration policy, subjects them to review and makes recommendations to the Management Board as to possible changes in order to ensure a competitive level and effectiveness of remunerations, and ensuring their transparency, compliance with legal regulations and internal justice.

4.15.7 Sponsorship, charity and similar activities

The Group did not conduct material sponsorship, charity and other similar activities in the reporting period.

4.15.8 Description of diversity policy

X-Trade Brokers Dom Maklerski S.A. follows a policy of diversity and a policy of equal treatment for all the Company's employees, its authorities and key managers, because of its firm belief that diversity, as a fundamental value of contemporary society, has a significant impact on the development, competitiveness and innovation of our organization.

The pursuit of a policy of diversity can be seen, among other things, in hiring employees of different gender, age, educational background, qualifications, professional experience, nationality, ethnic background, religion, denomination, nondenominational character, political views, state of health, psychosexual orientation, family status, lifestyle, place of residence, form, scope and basis of employment, ensuring respect, tolerance and equal treatment in the workplace for all employees, as well as creating a work environment conducive to making the most of the above differences for the good of the organization.

The policy of diversity pursued at X-Trade Brokers Dom Maklerski S.A. is aimed at exploiting the potential of our employees, their skills, talents, passions, knowledge and qualifications to the full.

We create an organizational culture focused on achieving the Company's objectives by building in-house teams which vary in terms of gender, age and qualifications, which makes it possible to resolve problems in a more effective manner, leads to a better working environment, boosts the creativity of project teams, and enables effective knowledge sharing.

In the implementation of one of the important aspects of the policy of diversity, the Company offers internships and traineeships to university students and graduates with various job profiles and gives them the opportunity to pursue a career within our organization.

As part of the policy of diversity, X-Trade Brokers Dom Maklerski S.A. also promotes and supports charitable initiatives initiated by its employees.

Managing diversity also consists of including provisions for preventing discrimination and mobbing as well as other regulations which specify the standards for equal treatment, protection against violence, harassment or unfair dismissal in the policies and procedures in place at XTB. The principles of equal treatment in employment are described in the Company's internal documents, among others, in the Labour Regulations, and are freely available to all employees.

In the scope of diversification in connection with the selection of X-Trade Brokers Dom Maklerski S.A authorities the Company has implemented the Diversity Policy in relation to the Members of the Management Board of the Company. The company provides a variety of qualifications and competences in terms of education, professional experience and the skills of the selected staff, including the managerial staff, in order to guarantee comprehensive and reliable performance of the tasks entrusted to it. In addition, as part of the Diversity Policy during recruitment to the authorities of the Company in X-Trade Brokers Dom Maklerski S.A. professional qualifications, reputation, professional experience, predispositions to perform duties within a given position or function, as well as gender, age, place of origin and education are taken into account.

The members of the Company's authorities are specialists in various areas of knowledge and are equipped with varied industry-specific experience which corresponds to the functions they currently perform. The individual competencies of the members of the Company's authorities complement each other in such a manner as to ensure an appropriate level of collegial management at X-Trade Brokers DM S.A

5. Other information

5.1 Audit company authorised to audit the financial statements

On 25 May 2017, the Company's Supervisory Board in accordance with § 19 item 2 point i) of the Company's Articles of Association and in accordance with § 8 item 2 point h) of the Supervisory Board's Regulations has adopted a resolution regarding the appointment of the entity authorized to audit the Company's financial statements for 2017-2018. The appointed entity is Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw, address: Rondo ONZ 1, 00-124 Warsaw, entered under the number 130 (further "EY") onto the list of entities entitled to carry out the audit of financial statements. The choice has been made in accordance with applicable laws.

On 21 June 2017, between X-Trade Brokers Dom Maklerski S.A. and EY concluded an agreement on:

- audit of financial statements for the years ended 31 December 2017 and 31 December 2018, respectively;
- review of condensed interim financial statement for the period of 6 months ended on 30 June 2017 and on 30 June 2018;
- review of the process of storing and protecting the assets of the Company's clients as at 31 December 2017 and as at 31 December 2018, respectively.

Additionally, on 16 November 2018 an annex was signed to the above-mentioned agreements for:

- audit of financial statements for the period of 9 months ended 30 September 2018 pursuant to Article 349 of the Code of Commercial Companies regarding the advance payment of dividend to Company's shareholders for financial year 2018.

The total remuneration of the entity authorized to audit the financial statements for the current and previous year, separately for the audit of the annual financial statements, other assurance services, including review of the financial statements and other services was disclosed in notes 33 and 32, respectively to the Separate and Consolidated financial statements.

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

As at 31 December 2018 and as at the submission date of this report the Parent company and its subsidiaries were not a party to any significant proceedings pending before court, arbitration authority or public administration authority. The most important of the ongoing proceedings were indicated below.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 2,45 million, of which suits brought by the employees pending before court consist of the three proceedings where the total value of claims was approximately PLN 1,09 million and ten brought by clients with the total value of claims of approximately PLN 1,31 million. Below are presented the most significant, in the Company's view.

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. According to the last opinion of law firm conducting the case, there is a high 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, in previous periodic reports the Company used to apply assumption that total value of claims should be at the level taking into account this increase of value of the claim. Taking into consideration last opinion of law firm that is conducting the case, bearing in mind current facts of the case, the value of the claim should be reduced to the amount constituting equivalent of EUR 200 000 as the risk of order to pay higher amount in this case is residual. At the submission date of this report, the adjusted value of the claim was accounted for at the total value of the claims demanded against the Company of approximately PLN 0,87 million.

Since May 2016 in relation to Turkish subsidiary, X Trade Brokers Menkul Degerler A.Ş., there is an action pending brought by customer, who contests the merit of cancellation by the company of transactions concluded at incorrect prices. At the submission date of this report total value of the claims is the equivalent of PLN 601 000.

One of the Company's clients threatened in 2014 to file a suit regarding its alleged illegal actions. The client accuses the Company of improper execution of the agreement concluded with Company for provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts, by allegedly delaying and interrupting execution of the transactions via the trading platforms provided. The client has not referred the matter to court in the last 4 years and at the same time has repeatedly demanded payment of PLN 3,5 million, PLN 7 million and then PLN 14 million.

The management board finds client's claims groundless. The only reason for the loss of the customer was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients.

On January 5 2018, the Financial Ombudsman received a request from the client to investigate the legitimacy of restoring by the Company of this client's margin in the amount of PLN 131 000, i.e. the amount resulting from the loss of transactions closed by the Company. Their closing took place as a result of the mechanism of closing the position after 365 days from the day of their opening. This mechanism has been described in the regulations on the provision of brokerage services, however, in the client's opinion, the provision regulating it was contrary to the generally applicable provisions of law. In the Company's opinion, the action contested by the customer was conducted properly and in accordance with the law.

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

On 18 November 2016 the Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), with a request to secure claims connected with breach of rights to registered union trademark of the Company. The Company requested the Regional Court in Warsaw to secure its claim against XFR by: (i) prohibiting XFR from using the verbal and figurative mark "XTRADE"; and (ii) prohibiting XFR from using the verbal mark "XTRADE" in internet domain names. XFR conducts competitive business with respect to the Company and abuses, in the opinion of the Company, the significant recognition of the Company's brand in European countries, thus misleading the Group's existing and potential clients. The Company was notified that the request for protection of his claim against the XFR was dismissed therefore the Company filed an appellation against this decision. The Warsaw Court of Appeal upheld the appeal and changed the challenged judgment by securing XTB's claim against XFR and has banned XFR from using (i) word marks and word-figurative marks "XTB", "X-Trade", "XTrade", "X" and (ii) the word mark xtrade.eu. Proceedings before the Regional Court in Warsaw are currently pending since 12 April 2017 based on the suit filed by the Company to prohibit XTRADE Europe Ltd. from violating the principles of fair competition, which involves unlawful use by the defendant of the verbal as well as verbal and graphical names "XTB", "X-Trade", "XTrade" and "X" to identify the enterprise or the financial, financial intermediation and advisory, brokerage and stockbroker activity. The following documents have been filed in the case: by XTRADE Europe Ltd. – reply to the suit, and by the Company – answer to the reply to the suit. As the legal representatives of XTRADE Europe Ltd. failed to prove being properly authorized to act in the case, the Court summoned them to furnish documents confirming that the persons granting the power of attorney to them were, on the date of granting thereof, authorised to act for and on behalf of XTRADE Europe Ltd. The reply of XTRADE Europe Ltd. has been filed. After correction of formal defects by XTRADE Europe Ltd., the Company submitted a response to the reply on 9 November 2017 and by letter of 28 May 2018 filed a new motion as to evidence. XTRADE Europe Ltd. responded in writing to both these letters of the Company. On 20 September 2018 and on 4 December 2018 hearings in this case were held. The next hearing is planned on 20 March 2019 which, like the previous one, is dedicated for examination of a witness.

Moreover, on 19 June 2017 the Company applied to the District Court for Warsaw-Śródmieście in Warsaw for commencement of enforcement proceedings as XTRADE Europe Ltd. has not ceased to use identifications being the Company's property to identify its business or services provided, despite a respective ruling of the Court of Appeal in Warsaw dated 15 March 2017. On 12 January 2018, the District Court for Warsaw-Śródmieście in Warsaw issued a ruling ordering XTRADE Europe Ltd. to pay the amount of PLN 5 000 to the Company. The defendant was also threatened to be ordered to make a payment to the Company in case of determination of any subsequent violation by the debtor of the obligation to exercise the ruling of the Court of Appeal in Warsaw dated 15 March 2017. In connection with this on 19 April 2018 the Company applied to the District Court with a motion for awarding from XTRADE Europe Ltd. PLN 100 000 in connection with failure to perform a collateral established by the Court of Appeal. By virtue of a decision from 28 November 2018 District Court dismissed the Company's motion and determined that as of the date of issue of the decision the marks are no longer used in Poland by XTRADE Europe Ltd. On 10 December 2018 the Company filed a complaint regarding the above decision and at present the case is pending before Regional Court in Warsaw.

Furthermore, The Regional Court in Munich by decision from 25 July 2017 has prohibited using in Germany marks „XTRADE" and „XTRADE EUROPE Ltd" and confirmed that these marks are confusingly similar to the trademarks registered by the Company. In addition, XTRADE Europe Ltd. was also obliged to provide information indicating scope and number of use of those marks in the past and to pay damages, amount of which has not yet been specified. On 19 April 2018 the Court of Appeal rejected the appeal of the Cypriot company – the judgment which forbids usage of XTRADE symbol in Germany is final. As of the date of delivery of this report the proceedings aiming at award the Company reimbursement by XTRADE Europe Ltd. of representation costs and enforcement of the final judgement.

Administrative and control proceedings

The Company and the Group Companies are party to several administrative and control proceedings related to the Group's business. The Company believes that below are presented the most significant among them.

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

On 14 October 2016, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. The PFSA did not take into account the Company's objections and therefore issued post-control recommendations, which required the Company to implement appropriate measures to remove the detected irregularities.

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

On 27 September 2018 the Company received information about imposition onto the Company pursuant to art. 167 para. 2 point 1 in connection with art. 167 para. 1 point 1 of the act on Trading in Financial Instruments a fine of PLN 9.9 million in connection with the violation of the law, in particular in the area of providing brokerage services to the Company's clients. In the Company's opinion, the imposition of a fine for above-mentioned fraud is not justifiable and is not reflected in the facts. The Polish Financial Supervision Authority refused to take the evidence requested by the Company (including the expert's opinion) and did take into account independent expert's opinions submitted by the Company. Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board appealed the abovementioned decision by filing on 29 October 2018 complaint against the PFSA decision to Provincial Administrative Court.

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

Moreover, on 26 January 2018 the Company was served with the letter from the National Bank of the Czech Republic ("CNB"), notifying commencement of inspection at the Company's Czech branch. The inspection covers evaluation with regard to compliance of the branch and the Company's operations with the Czech act on the capital market in the area of (i) provision of investment services with due professional diligence, (ii) operating principles of the investment company in its contacts with clients, as well as (iii) daily reporting of clients' transactions to the supervisory authority.

On 15 June 2018 the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable in Czech Republic laws and regulations by the branch and the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. As of the date of the submission of this report, the Company exercises due diligence in order to implement the post-audit recommendations of CNB. Nevertheless, no assurance may be given that the branch and Company's way of adjustment to the particular recommendation will not be considered as unlawful or non-compliant with CNB's attitude to the issue, therefore detected infringements in branch and Company's brokerage activity may constitute basis to, inter alia, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of CNB or other authorities.

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

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

Regulatory environment

The Group operates in a highly regulated environment imposing on it certain obligations regarding the respect of complying with many international and local regulatory and law provisions. The Group is subject to regulations concerning inter alia (i) sales practices, including customer acquisition and marketing activities, (ii) maintaining the capital at a certain level, (iii) practices applied in the scope of preventing money laundering and terrorist financing and procedures for customer identification (KYC), (iv) reporting duties to the regulatory authorities and reporting to the trade repository, (v) the obligations regarding the protection of personal data and professional secrecy, (vi) the obligations in the scope of investors protection and communicating of relevant information on the risks associated with the brokerage services, (vii) supervision over the Group's activity, (viii) inside information and insider dealing, preventing the unlawful disclosure of inside information, preventing market manipulation, and (ix) providing information to the public as the issuer.

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

The so-called the MiFID II/MIFIR package implementation into national legislative system by introducing act amending the act on trading in financial instruments and some other acts and new regulations to this act

The MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") entered into force on 3 January, 2018. Transposition of the MiFID II Directive into the national law took place by introducing amendments to the act on trading in financial instruments. The amended act entered into force on 21 April, 2018, albeit a longer vacatio legis has been reserved for some of its provisions. The main purpose of this act is to increase the safety of financial market participants and ensure competitive conditions for investment companies. The starting point for covering customers of investment companies with greater protection is an obligation of entities providing services to act in a reliable and professional manner, in accordance with principles of fair trading and the best interest of their clients. The legislator distinguished two stages: (i) preceding and (ii) accompanying and following after providing brokerage services and for each of them indicated separate obligations towards clients of investment companies. The professionalism and reliability of investment companies have been strengthened by new rules regarding communication with clients and introducing system to register telephone conversation and electronic communication with them. During provision of services investment companies were obliged to provide clients with regular reports related to the performance of a contract for the provision of brokerage services. Novum, also ensuring greater transparency of the market for its participants is authorisation of a new category of trading system in the form of an organised trading facilities (OTF). Non-discriminatory access rules to OTF will contribute to make the market competitive. There also were introduced separate provisions dedicated to the new type of financial instruments trading system, alternative trading platform for small and medium-sized enterprises. The regulation is intended to increase transparency of cross-selling by entities providing retail services inter alia in the area of fees associated with this kind of selling. The regulation also reduced unnecessary costs that could be charged to the client. The charging of remuneration, commissions or any other benefits from third parties by companies proving independent investment advisory services and asset management shall henceforth subject to significant restrictions. Thanks to the changes, it should be clear for the client who uses investment advisory services, whether they are independent and he also should be familiarised with their costs and grounds. As a result of the amendment, the outsourcing of the processes, services or activities of an investment company was regulated, and the entities that deal with the algorithmic trading technique were subject to special surveillance. Following the amendment to the act on trading in financial instruments, a new regulation of the Minister of Finance of May 30, 2018 on the mode and conditions of conduct of investment firms and banks, which are referred to in Art. 70 (2) of the act on trading in financial Instruments, and custodian banks (hereinafter the "RMC Regulation") entered into force. The layout and content of the new RMC Regulation is based on the previous regulation, however the Ministry of Finance broadened the definition part and enriched the RMC Regulation with additional sections. From the perspective of financial entities, it is crucial to determine the conditions for providing clients with report related to the performance of a contract for the provision of brokerage services: its content, method and time limit for its transfer. It also settled according to which principles incentives may be received or paid. From the law arise, among others, prohibition on accepting or receiving incentives if the investment company would provide brokerage services in a way that is unreliable, unprofessional, inconsistent with the principles of fair trading or does not duly take into account the interests of clients or potential clients. The aforementioned prohibition corresponds to the obligation to disclose data concerning benefits to those persons and to collect and store documentation confirming that the purpose of any benefits provided is to improve the quality of services. The RMC Regulation sets out situations where such the benefit is considered as improving the quality of services. The law has been enriched with a catalogue of forms of benefits considered as minor cash benefits. In relation to the previous regulation, the provisions on the principles of categorisation clients as retail or professional were modified. There are also new provisions for practices related to cross-selling. In addition, the RMC Regulation sets out the terms and conditions for the conduct of investment firms recommending, offering or otherwise enabling the acquisition or subscription of a financial instrument. The act contains additional conditions for the activity of investment companies who are: issuers of financial instruments or entities providing advice on issuing financial instruments. In conclusion, RMC Regulation extends mechanisms for securing clients and limits the possibility of receiving incentives by investment firms. New provisions came into force on 23 June, 2018, whereby their implementation in investment companies was to take place until 21 October 2018.

Another element of the implementation of the MiFID II/ MIFIR package into the Polish system is the introduction of the regulation of the Minister of Finance of 29 May 2018 on detailed technical and organizational conditions for investment companies, banks referred to in art. 70 (2) of the act on trading in financial instruments, and custodian banks (hereinafter "RTOC Regulation"). It regulates in detail the storage, registration and safekeeping of financial instruments and keeping cash accounts. The provisions of the RTOC Regulation contain a description of the manner and detailed conditions for recording and depositing funds of clients as well as categories of entities in which these funds may be deposited. An innovation is necessity to appoint one person responsible for fulfilling duties in the area of safekeeping of financial instruments and clients' funds in order to prevent the fragmentation of responsibility between individual employees and to reduce the associated risks. The regulations indicate the necessity of introducing organizational solutions regarding the manner of remunerating persons offering or concluding agreements in the course of cross-selling, in order to remove any possibility of concluding cross-selling contracts with clients for whom it will be inappropriate. There also can occur organizational changes in investment companies as a result of changes in the functioning of the internal audit and specifying rules allowing serving on boards of investment companies and holding other key positions. In relation to previous internal audit regulation, more flexibility was given in the area of shaping the audit principles, because it was reduced to the obligation to introduce internal audit regulations. The requirements for the management personnel, also in the area of improvement of professional qualifications are indicated to strengthen the professionalism of activities of the investment companies. The RTOC Regulation develops the principles for keeping records of transactions, archiving documentation and other medium of information prepared in connection with running a business. The law issued on 29 May 2018 entered into force on 23 June 2018. Similarly to the RMC Regulation, the transitional provisions allowed investment companies to comply with the new requirements by 21 October 2018.

The Company exercised due diligence in order to comply with amendments to the act on trading in financial instruments and requirements of RMC Regulation and RTOC Regulation. However, it cannot be excluded that a given rule or requirement will be interpreted by Company in a manner inconsistent with the regulations which may be connected with supervisory activities and sanctions specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Project of amendments to act on trading in financial instruments and other acts aimed at reducing CFD's leverage in Poland

On 22 June, 2017another draft act on amendment of the act on supervision over the financial market and certain other acts was presented. At present, draft was directed to the first reading in committees. The main assumptions introduced by the draft include, among others: (i) increased requirements regarding security deposits for Polish residents with regard to transactions on the market of financial derivative instruments from 1% to 2% and, consequently, reduction of financial leverage to 1:50 for retail clients. As far a retail clients who, during 24 months preceding submission of the order, concluded at least 40 transactions and expressed this intention, the draft will allow application of financial leverage of up to 1:100, (ii) authorising the Polish Financial Supervision Authority to maintain a register of internet domains and block internet domains of investment companies, used for provision of financial services in a manner non-compliant with regulatory requirements, and (iii) introduction of stricter penal liability for unauthorised operation with regard to trading in financial instruments if the unlawful act results in unfavourable disposition of property by the harmed party.

It is not known yet the final shape of the bill. However, the entry into force of the leverage restriction in the projected shape will most likely increase the transaction costs for the Company's clients from Poland. The result of the amendment may be reduction of ability and interest in trading instruments offered by the Company, particularly when leverage limits in relation to retail clients resulting from ESMA temporary product intervention referred to below in section "Activity of the European Securities and Markets Authority" ("ESMA") will cease to apply and the clients will have access to foreign investment firms' offers not applying Polish regulations. This may have a negative impact on the volume of trading in instruments offered by the Company in Poland, and thus on the Company's business, financial situation and results.

Changes in the scope of protection of personal data and establishing a national cybersecurity system

A legislative package on a new EU legal framework for data protection consists of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation – "the GDPR Regulation") and the Directive (EU) 2016/680 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, and repealing Council Framework Decision 2008/977/JHA (the "RODO Directive"). Implementation of the RODO Directive by the Member States, with some exceptions, was supposed to take place by 6 May, 2018. The GDPR Regulation did not require implementation and is being used directly by all of the countries of the Community as of 25 May, 2018.

The outcome of working on the implementation of the above-mentioned regulations into the Polish legal order is entering into force the act on personal data protection on 25 May, 2018. This act includes: (i) constitution of a new body accurate for personal data protection – President of the Personal Data Protection Office; (ii) procedure of personal data protection inspector's notifications; (iii) principles of certification and manner of proceedings in such cases, (iv) manner of proceeding in cases related to violation of personal data protection provisions; and (v) issues related to civil responsibility for violation of the personal data protection provisions.

Since August 2017 in Ministry of Digital Affairs works on regulations implementing act on the protection of personal data were being conducted. After referring a draft act amending other acts in connection with ensuring implementation of the Regulation 2016/679 (the GDPR Regulation) of 8 May 2018 to public consultation, on 13 September 2018 new draft act was presented. The project of regulation contains provisions adapting certain acts to the requirements of the GDPR Regulation in areas such as, among others the insurance sector, sectors of justice, culture, health and public statistics. There are also included the principles of processing personal data by employers. The significant element of the project for financial market entities is the introduction of an amendment to the act on trading in financial instruments in the scope of personal data processing of natural persons. Draft passed the first reading stage at the sitting of the Sejm and was directed to the Sejm committees for verification.

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

On 28 August 2018 the act of 5 July 2018 on national cybersecurity system which is implementation of Directive of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across Union (the "NIS Directive"). In the meaning of the act, the "cybersecurity" is understood as resilience of information systems to activities that violate confidentiality, integrity, availability and authenticity of the data processed or related services offered by these systems. The aim of the regulation is to detect, prevent and minimise the effects of incidents that violate cybersecurity. Institutionally, these objectives are to be pursued by the national cybersecurity system. They are belonging to him, among others authorities responsible for cybersecurity, digital service providers and so-called the operators of essential services. The last one are entities that have an organizational unit in Poland, whose potential sectors of activity have been specified in Appendix 1 to the act and in relation to which an administrative decision has been issued recognising the entity as the operator of the essential services. Such decisions are to be issued until 9 November 2018 by the authorities responsible for cybersecurity. The PFSA is the relevant authority for the banking sector and financial market infrastructure. Pursuant to the provisions of the act, each operator of essential services is obliged to assess the risk of incident and to manage the risk, to use technical and organizational measures appropriate to the risk, including building awareness of system users. In addition, these entities have the task of managing incidents, including reporting serious incidents, applying measures to prevent and minimise the impact of incidents on the security of the information system and enabling efficient communication within the national cybersecurity system. As at the submission date of this report, the Company has not received a decision on a possible recognition her as the operator of essential services and it cannot be ruled out that the provisions of the new act will apply to her. Their implementation may involve significant organizational changes or significant financial outlays.

Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance and amendments to some other acts

On 25September 2018 another draft act amending the personal income tax act (the "PIT Act"), the corporate income tax act ("CIT Act"), the act - Tax Ordinance and some other amendments to the act were published. According to statements of reasons concerning the draft, the purpose of the regulation is, inter alia, closing tax loopholes. It concerns, among others collection of withholding tax, i.e. the tax collected from non-residents. Up to the amount of PLN 2 million of receivable paid to a taxpayer who is non-resident in a given tax year, the current principles of payment (collection) of withholding tax will apply. Once it has been exceeded, a payer is allowed to apply the current withholding tax rules, i.e. favourable fiscal treatment concerning withholding tax if he submits to the tax authority relevant statements related to fulfilling formal requirements (eg. obtaining required documents from the taxpayer) and exercising due diligence in verification of prerequisites for a given tax preference in the form of a reduction or an exemption. The payer who fails to submit these statements will be required to collect, calculate and pay the tax using the rates specified in the CIT Act and the PIT Act. In this case, the payer does not apply the exemptions indicated in these laws and the provisions of agreements on avoidance of double taxation with countries with which Poland have signed the agreements. These restrictions will also apply to taxpayers who are domestic entities in relation to dividends and other income from participation in profits of legal persons. There is also a new mechanism of collecting the tax which requires collection and return of tax after the verification of preferential taxation entitlements. In the opinion of the project initiator, the primary purpose of the changes is to introduce solutions aiming at verification the conditions for the use of favourable fiscal treatment of significant receivables. Evidence collection should be easer as a result of introduction of the act as it allows under certain conditions to use copies of residency certificates that confirm the place of residence of the taxpayer.

The act came into force on 1 January 2019. The Company has exercised due diligence to adapt to changes in the Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance Act and amendments to some other acts. It can not be ruled out, however, that a given rule or requirement was interpreted by the Company in a manner inconsistent with the regulations, which may result in the application of supervisory activities and sanctions provided for in the applicable regulations to the Company, and may cause the Company to incur further significant financial expenditures and implementation of significant organizational changes.

Draft Act amending the Act on the exchange of tax information with other countries and certain other acts

On 9 November 2018, a draft act amending the Act on the exchange of tax information with other countries and certain other acts was published. The purpose of implementing solutions planned in the project is to improve and supplement the national legislator. The most important assumptions of the Act: (i) in relation to documenting new accounts opened in the period from 1 January 2016 to 30 April 2017 - the need for account holders to submit a statement containing residences as at the opening date of the invoice, no use for filing a statement made by account holders for another moment in time, as well as the use of other methods of bill identification; (ii) introducing a criminal liability clause in the CRS and FATCA statements, and (iii) introducing an obligation to re-identify bills if it was previously made pursuant to Article 50 section 2 of the Act, and simultaneously with this identification, the financial institution did not take into account the tax residence of the account holder. The project was directed to the first reading at the Sejm meeting.

The draft Act on the liability of collective entities for acts prohibited under penalty

On 11 January 2019, the government bill on the liability of collective entities for acts prohibited under penalty was submitted to the Sejm. The purpose of the draft Act is to increase the effectiveness of a tool for administering sanctions to collective entities, especially in the case of combating serious economic and fiscal crimes. The most important assumptions: (i) broadening the foundations of collective entities' responsibility - the inclusion in the act of behaviours recognized as the own behavior of collective entities that characterizes the offense; (ii) the collective entity's liability for all acts prohibited under penalty as a crime or fiscal offense; (iii) resignation from the requirement to obtain a prior request, i.e. a conviction of a natural person; (iv) the company is also liable if the identity of the perpetrator has not been established; (v) unlimited, open catalog of crimes; (vi) the company has the burden of proving that due diligence has been exercised; (vii) extension of the catalog of penalties; (viii) compulsory management as a preventive measure; and (ix) whistle-blower protection. The project was directed to consultations.

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

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

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

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

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

The Polish legislator failed to complete transposition of provisions of the Directive within the required deadline which expired on 26 June, 2017. On 28 March, 2018 President signed the act on prevention of money laundering practices and financing of terrorism which implements provisions of the Directive into the Polish legal order. The act will come into force on 13 July 2018. Amendments in the new act include (i) introduction of a new category of institutions which are obliged to apply the act on the prevention of money laundering and terrorism financing, including entities conducting business activity involving provision of services related to exchange among virtual currencies and means of payment and exchange among virtual currencies, (ii) amendment of the definition of beneficial owner and politically exposed person, (iii) necessity to introduce a procedure for identification and assessment of the risk related to money laundering and terrorism financing in connection with the business activity conducted, (iv) obligation to have a single procedure on the prevention of money laundering for the whole capital group, (v) shortening of the deadline for reporting of transactions to the General Inspector for Financial Information to 7 days after execution thereof, (vi) reduction of the limit for transactions executed in cash to EUR 10 000, (vii) increase of penalties for violation of provisions of the act up to the equivalent of EUR 5 000 000 or up to 10% of the turnover declared in the most recent consolidated financial statements for the business year. That act entered into force on 13 July 2018.

On 13 October 2018 regulation of 4 October 2018 on the transfer of information about transactions and a form identifying the obligated institution came into force. The provisions establish the mode of preparing and transferring transactional information and a form identifying obliged institution and the mode of their transfer to General Inspector of Financial Information (the "GIIF").

The Company exercised due diligence in order to comply with obligation under act on prevention of money laundering practices and financing of terrorism and the regulation on the transfer of information about transactions and a form identifying the obligated institution. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Activity of the European Securities and Markets Authority ("ESMA")

The group is witnessing continuous regulatory changes in the industry at an international level that may change over time. The European Securities and Markets Authority (ESMA) published on 29 June 2017 a statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR.

On 5 February, 2018 the ESMA published its Guidelines on MiFID II product governance requirements. The document discusses obligations regarding compliance with the law and reporting, and it presents: (i) guidelines for manufacturers, including the manufacturer's obligation to identify the potential target market and the relationship between the manufacturer's distribution strategy and their target market definition; (ii) guidelines for distributors, which define – inter alia – the relationship between the product governance requirements and assessment of suitability or adequacy, as well as the distribution strategy, and (iii) guidelines regarding issues applicable to manufacturers and distributors, including principles of identification of the negative target market and sales outside the positive target market, as well as application of the requirements of the target market to firms operating on wholesale markets.

Moreover, on 27 March, 2018 ESMA agreed on measures on the provision of contracts for differences and binary options to retail investors in EU. Agreed measures regarding CFDs include: (i) leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, 30:1 for major currency pairs, 20:1 for non-majors currency pairs, 10:1 for commodities other than gold and non-major equity indices, 5:1 for individual equities and other reference values, 2:1 for cryptocurrencies; (ii) a margin close out rule on a per account basis; (iii) negative balance protection on a per account basis; (iv) a restriction on the incentives offered to trade CFDs; (v) a standardised risk warning. When it comes to binary options, the agreed measures include a prohibition on the marketing, distribution or sale of those instruments to retail clients. Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union. The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return. In relation to CFDs temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.

According to MiFIR Regulation, ESMA may introduce temporary intervention measures only for three months. Before the end of the three-month period, ESMA each time considers the need to extend the intervention measures for a further three months. In August 2018, ESMA reviewed the product intervention measure on binary options on the basis of a study carried out among the national competent authorities on the practical application and impact as well as on the basis of additional information provided by the competent national authorities and interested parties. On 24 August 2018 ESMA announced decision to extend its application from 2 October 2018 for following, three-months period. In September 2018 the review concerned the measures applied to CFDs after which, on 28 September 2018 ESMA decided on their extension from 1 November 2018 for a further three months. It also conditionally shortened risk information for CFDs as ESMA was notified that some investment firms had some technical problems with using standard risk warnings due to limitations on the number of marks imposed by external marketing service providers. Moreover, on 23 January 2019 ESMA announced the next decision regarding extension of the intervention for another three-months period, this is from 1 February 2019.

The measures which are still valid on the basis of decisions of ESMA have a significant impact on the way the Group offers and promotes financial products. Despite the Group acting with due diligence implemented organizational changes to comply with these requirements of conducting activity, it cannot be excluded that the manner of interpretation of prohibition and restrictions of ESMA by regulators may be different than solutions adopted by the Group. It may involve applying supervisory activities and sanctions provided for by applicable law and might require the Group to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of ESMA decisions may have a negative impact on the financial results of the Group.

Following the publication on 1 June 2018 of the decision of ESMA regarding product intervention concerning CFD contracts, on 18 July 2018 the Company received a letter from the PFSA with a questionnaire regarding operations on CFD market and the process of adaptation business activity to the aforementioned ESMA's decision. The Company informed about its implementation activities and detected inaccuracies in the interpretation of the abovementioned ESMA's decision. In the view of the prohibition of 22 May 2018 regarding the trading, distribution or sale of binary options issued by ESMA, on 19 October 2018 the PFSA asked the Company to provide information regarding the sale of binary options. The Company provided appropriate explanations, including information about the withdrawal of binary options from her offer. On 19 November 2018 the Company filled in the PFSA the answer for the questionnaire. As at the submission date of this report, the Company exercised due diligence in order to comply with the obligations arising from aforementioned ESMA decisions. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the PFSA expectations to its interpretation which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

France

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

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

Turkey

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

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

Germany

German supervisory authority – BaFin has declared that ESMA decisions on product intervention will be fully applied at the time specified explicitly by European authority. It should therefore be concluded that in the German legal order there has been a full adaptation of ESMA's recommendations from the day of 2 July 2018 regarding the prohibition on binary options and from 1 August 2018 regarding to CFDs.

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

Great Britain

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

FCA suspended work on the document until discussions conducted within the European Securities and Markets Authority ("ESMA") about the possible use of its product intervention powers under article 40 of MiFIR will be concluded and after their completion it was decided not to resume the work.

Following ESMA's decision to introduce a temporary prohibition on the distribution of binary options and restrictions on CFDs distribution to retail customers, as announced by FCA on the British market the timely implementation of aforementioned measures in the mode of product intervention took place. ESMA decisions to extend the application of product intervention measures begun to be also valid in Great Britain for subsequent, quarterly periods. At the moment other FCA changes related to ESMA's product intervention are not expected.

At the moment of submission of the report, negotiations are ongoing between Prime Minister Theresa May and representatives of European Union regarding the terms of withdraw from European Union of Great Britain (so-called "Brexit"), in accordance with the procedure under art. 50 of the Treaty on European Union, which is to take place on 29 March 2018. On 12 July, 2018, the British government published a document, the so-called a white paper, concerning future relationships between Great Britain and European Union, which proposes a common market for trading in goods with the Community. The document does not include solutions regarding the movement of services. The British Government's proposal has not yet received EU approval. The impact of Brexit on the financial industry sector hinges on whether a deal can be struck between Great Britain and European Union and on what kind of barriers in providing services by British entities will be included in it. In connection with the above, the Company is eagerly awaiting results of the conducted negotiations. It cannot be ruled out that the new operating conditions for entities in the Group may affect its future financial results.

Spain

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

On 9 October 2018 CNMV published a new regulation, circular 4/2018, whereby amendment to circular 1/2010 on information to be communicated to the CNMV by investment companies was made in line with Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. New requirements are applicable to the information concerning activity of investment companies starting from 1 January 2019.

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

Romania

On 26 June 2018 an amendment to the Capital Markets Act No. 24/2017 has been published in the Official Monitor of Romania. The main amendment which concerned art. 104 of the Act introduced a prohibition on the distribution of binary options to retail clients in Romania and restrictions in respect of CFDs distribution in Romania. The Act came into force in mid-July 2018, however works on appendix to it were still in progress. Romanian regulator, Autoritatea de Supraveghere Financiară ("ASF") had been considering if requirement of 50% margin close-out rule per position basis should be introduced and thereby additional restriction apart from intervention measures taken by ESMA will be in force. Finally, it was decided to implement product intervention measures without further restrictions. The ASF regulation of 25 September 2018 on this subject entered into force on 9 October 2018.

Financial transaction tax

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

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

5.3 Employment information

As at 31 December 2018, the Group employed 426 people, including 264 persons employed by the Company. The Group's employment structure is dominated by employees involved in sales. The Group does not employ a significant number of temporary employees.

The table below presents information on the number of employees of the Parent Company, its foreign branches and Group Companies on dates indicated therein

		AS AT
	31.12.2018	31.12.2017
Parent Company	264	252
Foreign branches	100	98
Group companies	62	38
Total	426	388

5.4 Major research and development achievements

In the reporting period, the Company conducted works in compilation and developing of highly innovative, comprehensive solutions in the field of transactions and Internet investments ("R & D"). The main aim of the above works is to develop innovative technologies and solutions which could allow further development of products offered to clients.

Applied research and development aimed to develop of necessary tools for effective functioning of XTB's transactional systems as well as modernization and upgrade of CRM systems in accordance with identified needs. The elimination of errors and providing the functionality and safety of systems and database were those which focused on research areas. Also research and development focused on development of new electronic trade systems. The main types of activities in terms of research and development contain:

- developing the IT infrastructure of XTB, which amongst others would ensure effective network, continuous servers' development as well as other active device in XTB,
- creating new or improving current software solutions supporting XTB operations;
- creating and developing significant transactional applications and CRM systems,
- developing solutions in the area of increasing work safety in the network as well as external access,

- developing solutions in data storage security,
- creating and implementing new and innovative hardware, software and program solutions in the company,
- analysis of product development opportunities, in terms of current technological solutions.

6. Statement and information of the Management Board

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

The Management Board of X-Trade Brokers Dom Maklerski S.A. declares that, to the best of its knowledge, the consolidated and separate financial statements for 2018 and comparative data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear financial and financial situation and the financial result of the Group and the Company, respectively. In addition, the Management Board declares that activity report contains a true picture of the development and achievements of the Group and the Company, respectively, including a description of the basic threats and risk.

Information of the Management Board of X-Trade Brokers Dom Maklerski S.A. about appointing an audit company to audit financial statements

Hereby, the Management Board of X-Trade Brokers Dom Maklerski S.A. informs that on the basis of the statement of the Supervisory Board, an auditing company authorized to audit financial statements, undertaking consolidated and separate financial statements for 2018 was selected in accordance with the regulations, including the selection and procedure for selecting an audit firm. At the same time, the Management Board of X-Trade Brokers Dom Maklerski S.A. informs that the audit company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report on the annual consolidated and separate financial statements, in line with the binding provisions of the law and professional standards and that the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods are observed. In addition, the Management Board of X-Trade Brokers Dom Maklerski S.A. informs that the Issuer has a policy of selecting an audit firm to carry out statutory audit of X-Trade Brokers Dom Maklerski S.A. financial statements and the policy of carrying out the permitted non-audit services by the audit firm conducting the audit, by entities related to this audit firm and by any member of the network to which the audit firm belongs, including services conditionally exempt from the prohibition of provision by an audit company.

Warsaw, 7 March 2019

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

DECLARATION AND ASSESSMENT OF THE SUPERVISORY BOARD

Declaration and assessment of the Supervisory Board of X-Trade Brokers Dom Maklerski S.A

Declaration of the Supervisory Board of X-Trade Brokers Dom Maklerski S.A concerning the Audit Committee

The Supervisory Board hereby declares that it is in compliance with the regulations concerning appointment, composition and functioning of the audit committee, including the requirements for its members to satisfy the independence criteria and the requirements concerning knowledge and abilities from the sector in which the Company operates as well as accounting and audit of financial statements; Moreover the Supervisory Board declares that the Audit Committee performed the tasks of the audit committee as provided by the applicable laws.

Supervisory Board assessment of the consolidated and standalone financial statements prepared jointly with the Management Board report on the operations of the Group and the Company

The Supervisory Board of X-Trade Brokers Dom Maklerski S.A has assessed the presented by the Management Board:

- The standalone financial statements of X-Trade Brokers Dom Maklerski S.A for the year 2018,
- The consolidated financial statements of Capital Group X-Trade Brokers Dom Maklerski S.A for the year 2018,
- The Management Board report on the operations for the year 2018

Hereinafter referred to as 'statements'.

As a result of the assessment The Supervisory Board of X-Trade Brokers Dom Maklerski S.A stated that Statements present truly and fairly all necessary information for assessment of financial standing of the Company and the Group and are in line with the ledgers, documents and the state of affairs.

The Supervisory Board of X-Trade Brokers Dom Maklerski S.A. positively assessed the financial statements on the basis of:

- the contents of the statements presented by the Company's Management;
- independent auditor's report on the audit of the consolidated and standalone financial statements for the year 2018, as well as additional report for the Audit Committee prepared in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and the Act on auditors, audit firms and public supervision of 11 May 2017;
- meetings with the representatives of the audit firm, including the key statutory auditor;
- meeting with the Company's Management Board;
- the results of other verification activities made in selected financial and operational areas.

Jakub Leonkiewicz President of the Supervisory Board	Łukasz Baszczyński Member of the Supervisory Board	Jarosław Jasik Member of the Supervisory Board
Bartosz Zabłocki Member of the Supervisory Board	Grzegorz Grabowicz Member of the Supervisory Board	

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of X-Trade Brokers Dom Maklerski Spółka Akcyjna

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of X-Trade Brokers Dom Maklerski Spółka Akcyjna Capital Group (Group'), for which the holding company is X-Trade Brokers Dom Maklerski Spółka Akcyjna ('Holding company', 'Company') located in Warsaw at Ogrodowa 58, containing: the consolidated statement of comprehensive income for the period from 1 January 2018 to 31 December 2018, the consolidated statement of financial position as at 31 December 2018, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2018 to 31 December 2018 and notes and disclosures to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (the 'consolidated financial statements').

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December2018 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2018 to 31 December 2018 in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union and the adopted accounting policies,

- are in respect of the form and content in accordance with legal regulations governing the Group and the Company's Statute.

The opinion is consistent with the additional report to the Audit Committee issued on 7 March 2019.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014').

Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the consolidated financial statements'* section of our report.

We are independent of the entities comprising the Group in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the entities comprising the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	**How the matter was addressed in our audit**
Valuation and recognition of the result from operations on financial instruments	
The result from operations on financial instruments for the year ended on 31 December 2018 amounted to 281 473 K PLN and constituted the most significant position in the statement of comprehensive income of the Group. The value of financial assets recognized at fair value through profit and loss and financial liabilities held for trading amounted to 114 279 K PLN and 28 227 K PLN, respectively. The result from operations on financial instruments of the Group comprises realized and unrealized revenues and costs related to the trading on financial instruments, especially trading of contracts for difference. The result from	As part of the audit procedures, we documented our understanding of the Group's policies and procedures for entering into transactions and valuing financial instruments as well as recognizing the result on these operations. We have analyzed the design and operation of the control mechanisms implemented by the Group in this area during the reporting period. The tests of control mechanisms carried out as part of the audit procedures included, in particular, the process of entering into transactions with clients, the valuation process, as well as the risk management process, including the limits related to the open position.

Key audit matter	How the matter was addressed in our audit
operations on financial instruments is determined as a value of a difference between the sales price and purchase price of financial instruments, decreases by the cost of rebates and brokers' fees which depend on the clients' trading volume. The process of executing transactions with clients and valuing derivative financial instruments is largely automated and depends on the IT systems. Due to the above mentioned, this area requires a significant amount of work and expert knowledge in the field of financial instruments and IT systems and, thus, constitutes a key audit matter. Information about the accounting policies as well as quantitative disclosures regarding the result from operations on financial instruments, financial assets valued at fair value through profit and loss and financial liabilities held for trading are described in notes 4.13, 4.4, 6.1, 16 and 22 in the consolidated financial statements, respectively.	With regards to the IT systems used to enter transactions and value financial instruments, with the help of IT specialists, we updated our knowledge about the design of internal control mechanisms covering the areas of change IT system management and access controls, based on which we determined the scope of additional audit procedures, including, among other matters, testing of source documentation and testing of system reports concerning the result from operations on financial instruments. On the selected sample, we carried out an independent valuation of financial instruments and an analysis of the correctness of the recognition of such valuation in the accounting records as at the balance sheet date. Additionally, regarding the result from operations on financial instruments, we also performed reliability tests, including the reconciliation of selected transactions to the source documentation, tests of system reports, as well as the analytical procedures, aimed at analyzing the results recognized by the Group on a selected types of financial instruments by comparing them to our expectations based on the knowledge about the Group and observed market data. Furthermore, we assessed the adequacy of disclosures in relation to the result from operations on financial instruments, financial assets valued at fair value through profit and loss and financial liabilities held for trading in the consolidated financial statements, as well as their compliance with IFRS.
Regulatory risk and compliance with regulations.	
The Group operates in the market which is characterized by a high degree of complexity and volatility of legal regulations affecting many key Group's operations, including, in particular, the capital or anti-money laundering requirements.	During the audit, we performed an analysis of the methods of identifying breaches of legal provisions regulating the Group's operations, including anti-money laundering activities, and the assessment of the potential impact of these issues on the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Violation by the Group's entities, of the laws and regulations as well as administrative provisions governing the Group's activities may have a significant impact on the going concern of the Group's entities and on the Group's consolidated financial statements, including the valuation of provisions for future liabilities due to non-compliance with the law, as well as the scope of disclosures in the consolidated financial statements. Due to the above mentioned, the risk of non-compliance with existing regulations and legal provisions constitutes key audit matter. Matters related to the capital requirements and compliance with the legal regulations are described in notes 38 and 26.2 in the consolidated financial statements, respectively.	Our procedures included, among other matters, interviews with the Company's Management, compliance inspector and the legal department. Moreover, we got acquainted with expert opinions and analyses prepared for the Company regarding the legal and regulatory matters, and documented the competences and objectivity of these experts. Furthermore, we conducted an analysis of the correspondence with public administration bodies and publicly available information, an analysis of internal audit reports carried out by the Group, an analysis of claims and complaints, an analysis of reports of supervisory regulators' inspections, an analysis of capital requirements calculation, as well as an analysis of significant estimates and professional judgment of the Company's Management used for the purposes of provisioning. We also verified the documentation of the Group regarding the assumption of going concern, including the assessment of the Group related to the impact of new and amended regulations and laws on the Group's operations. Additionally, we carried out a completeness and correctness analysis of the recognition of events related to regulatory and compliance matters, that occurred after the balance sheet date and before the date of preparation of the consolidated financial statements. Our procedures also included an analysis of disclosures related to the regulatory and compliance matters presented in the consolidated financial statements.

Responsibilities of the Company's Management and members of the Supervisory Board of the Company for the consolidated financial statements

The Company's Management is responsible for the preparation the consolidated financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting

Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies and other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, The Company's Management is responsible for assessing the Group's (the holding company and significant components') ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Group (the holding company or significant components) or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Company's Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these consolidated financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Group nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,

- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,

- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

We communicate with the members of the Company's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the members of the Company's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the members of the Company's Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report of the Group

The other information comprises the Directors' Report of the Group and the Company (containing the Director's Report of X-Trade Brokers Dom Maklerski Spółka Akcyjna) for the period from 1 January 2018 to 31 December 2018 ('Director's Report'), the representation on the corporate governance as a separate element of the Directors' Report and the Annual Report for the period from 1 January 2018 to 31 December 2018 (the 'Annual Report'), (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Company's Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the consolidated financial statements does not include the Other Information.
In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state ("Decree o current and periodic information"), paragraph 22 of the Regulation of the Minister of Finance of 28 December 2009 on specific accounting principles of brokerage houses and art. 110w in the Act of 29 July 2005 on Trading on Financial Instruments),

- is consistent with the information contained in the consolidated financial statements.

The company was not required to make a statement about non-financial information.

Moreover, based on our knowledge of the Group and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Group has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Regulation included in the representation on application of corporate governance is in accordance with applicable laws and information included in the consolidated financial statements.

Report on other legal and regulatory requirements

Brokerage houses are required to comply with prudential requirements included in the resolutions of the Polish Financial Supervision Authority ('KNF'), recommendations of the Polish Financial Supervision Authority and the Regulation (EU) No 575/2013 of the European Parliament and of the European Council as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending regulation (EU) No. 648/2012 (CRR) and EU Commission prudential regulations issued on the basis of this regulation and Regulation of the Minister of Development and Finance of 25 April 2017 on internal capital, risk management system, supervisory assessment program and supervisory examination and assessment, as well as the remuneration policy in the brokerage house regarding the capital adequacy.

The Company's Management is responsible for compliance with applicable prudential regulations, including, in particular, the appropriate determination of capital ratios by the Group. Our task was, based on the conducted audit, to provide information about whether the Company complied with the above prudential regulations. Our goal was not to express an opinion on compliance with these regulations.

As part of the audit of the consolidated financial statements, we have performed procedures with respect to capital ratios and we have not identified any irregularities that might have an material effect on the consolidated financial statements as a whole, in the calculation of those ratios. Therefore, we would like to inform you that the Management of the Company correctly determined the capital ratios in accordance with the provisions described above.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which have been provided to the Group, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Group in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution of the Company's General Meeting from 31 October 2014 and reappointed based on the resolution of the Company's Supervisory Board from 25 May 2017. The consolidated financial statements of the Group have been audited by us uninterruptedly starting from the financial year ended on 31 December 2014, i.e. for the past 5 consecutive years.

Key Certified Auditor

Arkadiusz Krasowski
Certified Auditor
no in the register: 10018

on behalf of:
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Warsaw, 7 March 2019