



XTB S.A.

(joint stock company with its registered office in Warsaw and address at Prosta 67, 00-838 Warszawa, entered into the Register of Business Entities of the National Court Register under No. 0000217580)

DISCLAIMER

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CURRENT REPORT NO. 10/2022

Warsaw, 26 April 2022

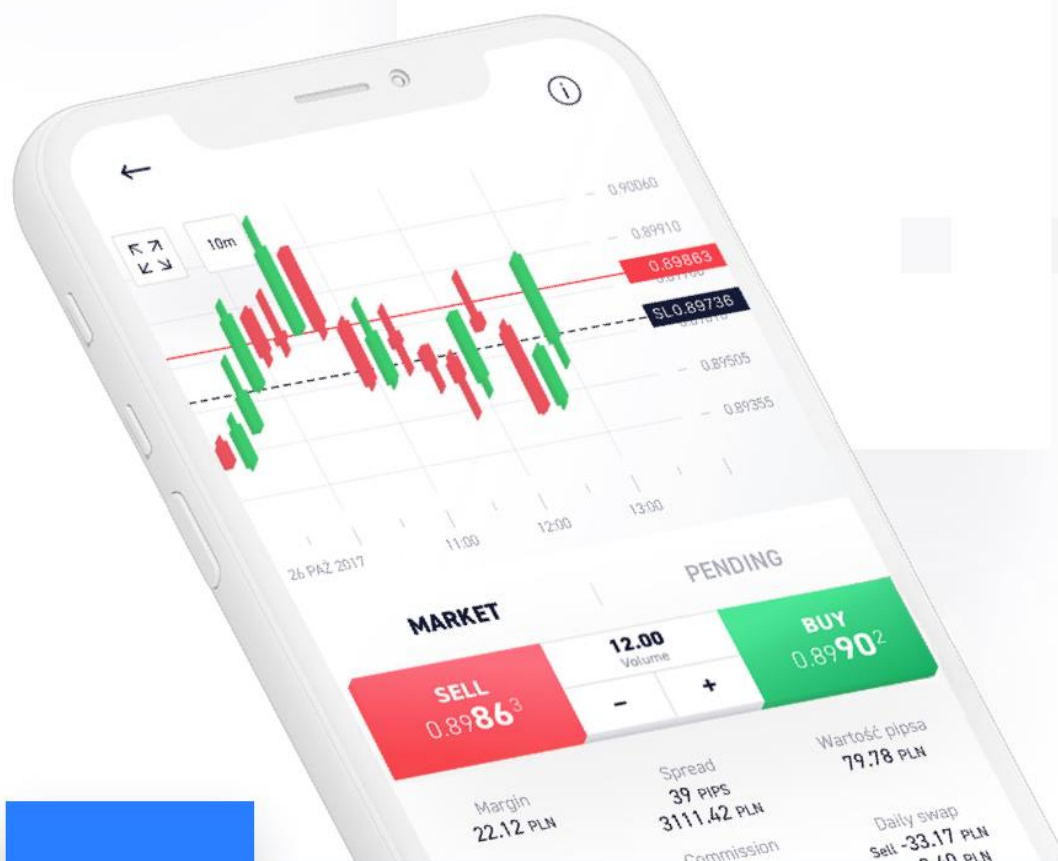
Preliminary financial and operating results for the I quarter 2022

The Management Board of the XTB S.A (the „Issuer”, “Company”, “XTB”) hereby announces that on 26 April 2022 the aggregation process of financial data for the purpose of the preparation of the condensed consolidated financial statements of the Issuer’s Group for the I quarter of 2022 was completed. Therefore the decision was made to publish the preliminary consolidated selected financial and operating data for the above period, which the Issuer submits as an attachment to the foregoing current report.

The Issuer informs also that the final financial and operating results for the I quarter of 2022 will be submitted in the extended consolidated report of the Issuer’s Group for the I quarter of 2022, publication of which was planned for 6 May 2022.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report

No. 10/2022 dated 26 April 2022

Preliminary financial and operating results
for the I quarter of 2022



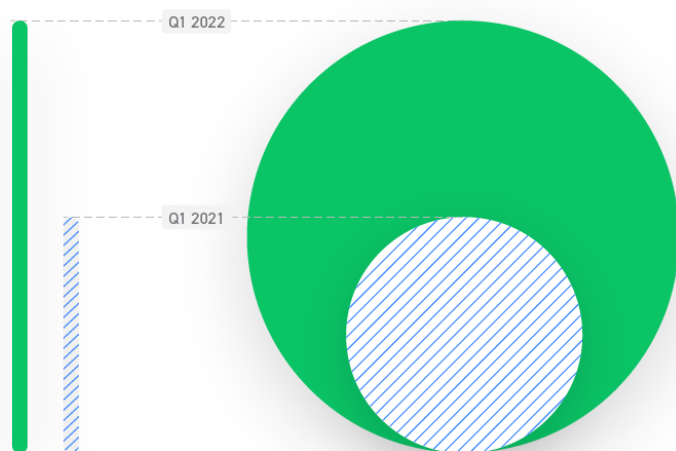
XTB KEY PERFORMANCE INDICATORS Q1 2022



NET PROFIT

252.6 MM
PLN

▲ +183.7% y/y



OPERATING INCOME

439.8 MM
PLN

▲ +135.6% y/y



EBIT

308.8 MM
PLN

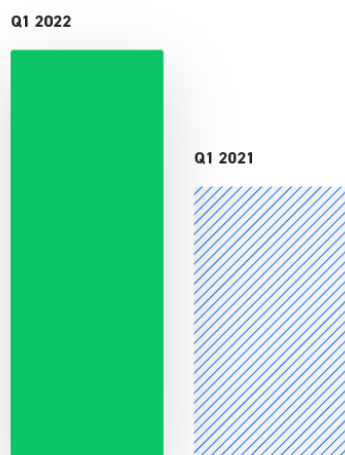
▲ +209.4% y/y



AVERAGE NUMBER OF ACTIVE CLIENTS

149 726

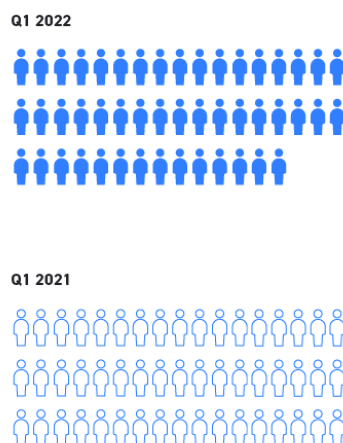
▲ +44.7% y/y



NEW CLIENTS

55 333

▼ -17.7% y/y



CFD PROFITABILITY PER LOT

282 PLN

▲ +68.4% y/y



CFD VOLUME

1 560 739

▲ +39.9% y/y





Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2022	31.12.2021	31.03.2021
Total operating income	439 804	183 567	186 697
Total operating expenses	(131 036)	(100 715)	(86 902)
Profit on operating activities (EBIT)	308 768	82 852	99 795
Finance income	1 437	4 167	8 278
Finance costs	(1 558)	(2 774)	(114)
Profit before tax	308 647	84 245	107 959
Income tax	(56 008)	(15 726)	(18 908)
Net profit	252 639	68 519	89 051

(in PLN'000)	AS AT		
	31.03.2022	31.12.2021	31.03.2021
Own cash	937 314	589 392	642 831
Own cash + bonds	1 271 573	921 318	1 046 983
Equity	1 169 316	915 560	977 662

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		
	31.03.2022	31.12.2021	31.03.2021
New clients ¹	55 333	42 760	67 231
Clients in total	481 931	429 157	316 658
Number of active clients ²	149 726	127 174	103 425
Average number of active clients ³	149 726	127 174	103 425
Net deposits (in PLN'000) ⁴	1 104 974	772 117	951 295
Average operating income per active client (in PLN'000) ⁵	2,9	1,4	1,8
Transaction volume in CFD instruments in lots ⁶	1 560 739	1 073 549	1 115 389
Profitability per lot (in PLN) ⁷	282	171	167
Transaction volume in CFD instruments in nominal value (in USD'000000)	631 255	482 097	386 347
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ⁸	167	94	127
Turnover of shares in nominal value (in USD'000000)	1 166	1 085	1 417

¹⁾ The number of new Group's clients in the individual periods..

²⁾ The number of clients who at least one transaction has been concluded over the individual periods.

³⁾ The average quarterly number of clients who at least one transaction has been concluded over the last three months.

⁴⁾ Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

⁵⁾ 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.

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. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

⁷⁾ Total operating income divided by the transaction volume in CFDs in lots.

⁸⁾ Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).



Management Board's commentary on the preliminary results

In the first quarter of 2022 XTB reported a consolidated net profit of PLN 252,6 million compared to PLN 89,1 million a year earlier. This is an increase of PLN 163,5 million. Consolidated revenues amounted to PLN 439,8 million (Q1 2021: PLN 186,7 million), and operating expenses amounted to PLN 131,0 million (Q1 2021: PLN 86,9 million). During the period, the average number of active clients increased by 46,3 thousand clients, which means an increase by 44,7% y/y.

Revenues

In the first quarter of 2022, XTB reported a record increase in revenues by 135,6% y/y, i.e. by PLN 253,1 million from PLN 186,7 million to PLN 439,8 million. The significant factors determining their level were high volatility in the financial and commodity markets and the constantly growing average number of active clients (increase by 44,7% y/y), combined with their high transactional activity expressed in the number of contracts concluded in lots. Consequently, trading in derivative instruments amounted to PLN 1 560,7 thousand lots (Q1 2021: 1 115,4 thousand lots), and the profitability per lot increased by 68,4%.

	THREE-MONTH PERIOD ENDED							
	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	30.12.2020	30.09.2020	30.06.2020
Total operating income (in PLN'000)	439 804	183 567	200 029	55 302	186 697	139 962	139 630	211 494
Transaction volume in CFD instruments in lots ¹	1 560 739	1 073 549	1 044 329	871 300	1 115 389	800 935	760 373	829 017
Profitability per lot (in PLN) ²	282	171	192	63	167	175	184	255
Transaction volume in CFD instruments in nominal value (in USD'000000)	631 255	482 097	502 650	366 257	386 347	292 000	275 144	206 037
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ³	167	94	102	40	127	126	135	253

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. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

²) Total operating income divided by the transaction volume in CFDs in lots.

³) Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).

XTB has a solid foundation in the form of constantly growing client base and the number of active clients. In the first quarter of 2022, the Group acquired 55 333 new clients compared to 42 760 a quarter earlier, which means an increase of 29,4%. This is the effect of continuing the optimized sales and marketing strategy, bigger penetration of already existing markets, successive introduction of new products to the offer and expansion into new geographic markets. The number of active clients was record high in the analysed period. It increased from 127 174 to 149 726, i.e. by 17,7% q/q.

	PERIOD ENDED							
	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020
New clients ¹	55 333	42 760	38 573	40 623	67 231	38 413	21 178	30 523
Average number of active clients ²	149 726	112 015	106 961	105 005	103 446	58 069	53 309	52 084

¹) The number of new Group's clients in the individual periods.

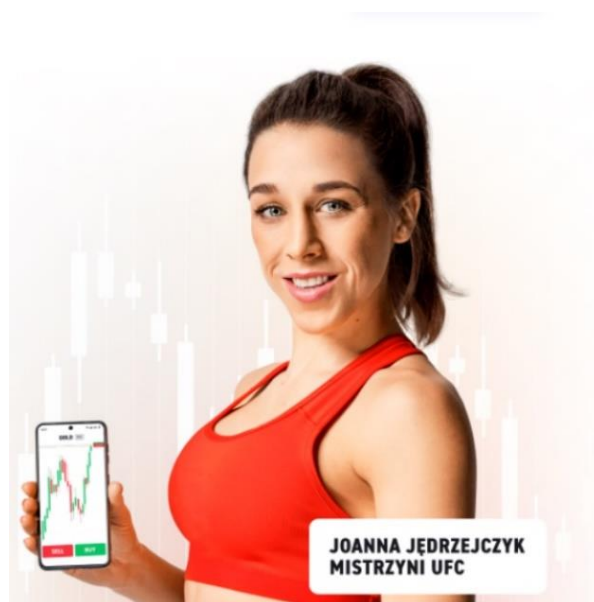
²) The average quarterly number of clients respectively for the 3 months of 2022 and 12, 9, 6 and 3 months of 2021 and 12, 9 and 6 months of 2020.



The ambition of the Management Board in 2022 is to acquire, on average, at least 40 thousand new clients quarterly. As a result of the implemented activities, the Group acquired a total of 55,3 thousand new clients in the first quarter of 2022, while in the first 25 days of April 2022, 12,8 thousand new clients were acquired.

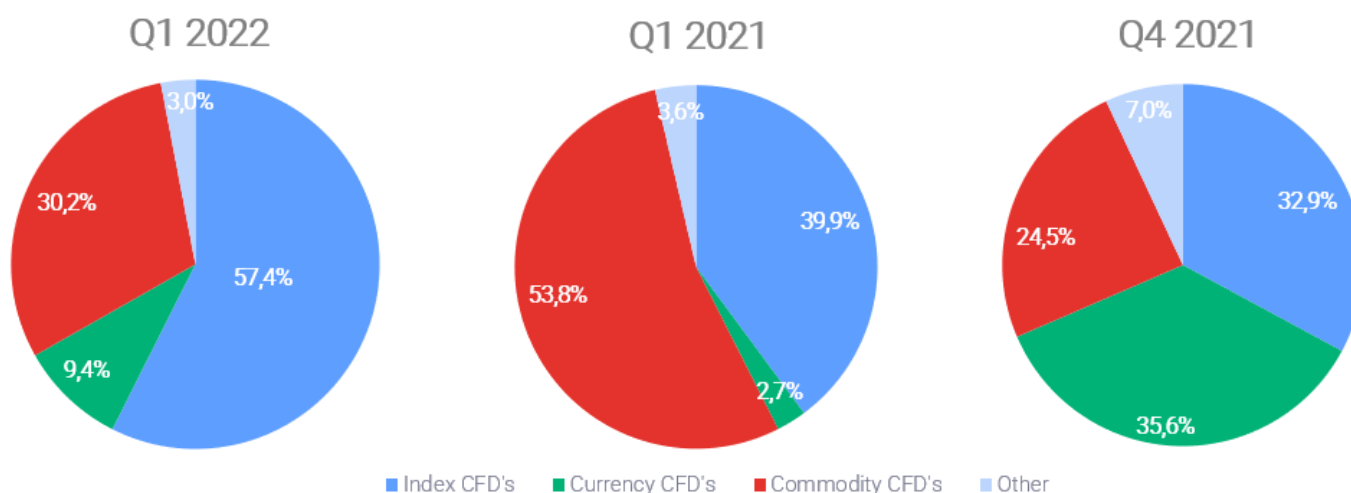
The priority of the Management Board is to further increase the client base leading to the strengthening of XTB's market position in the world. These activities will be supported by a number of initiatives, including the new advertising campaign launched on February 14, 2022 with the participation of the new XTB brand ambassador – Joanna Jędrzejczyk – a titled martial arts competitor, the first Polish woman in the UFC organization and a champion in this organization, as well as a three-time world champion in Thai boxing.

XTB, thanks to the cooperation with Joanna Jędrzejczyk, started promoting the offered investment solutions, in particular, convincing that investing in various types of assets is available to everyone, using the tools provided that facilitate entry into the world of investments: through daily market analysis, as well as numerous educational materials.



Looking at XTB's revenues in terms of the classes of instruments responsible for their creation, it can be seen that in the first quarter of 2022, CFDs based on index were in the lead. Their share in the structure of revenues on financial instruments reached 57,4% compared to 39,9% a year earlier. This is a consequence of high profitability on CFD instruments based on the US 100 and US 500 indexes, the German DAX stock index (DE30) or the Russian RUS 50 index. The second most profitable asset class was commodity CFDs. Their share in the structure of revenues in the 1st quarter of 2022 was 30,2% (Q1 2021: 53,8%). The most profitable instruments in this class were CFDs based on quotations of crude oil, gold and natural gas prices. Revenues on CFDs based on currencies accounted for 9,4% of all revenues, compared to 2,7% a year earlier, where the most profitable financial instruments in this class were based on the EURUSD currency pair.

The structure of revenue by asset class (in %)





(IN PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2022	31.12.2021	31.03.2021
Index CFDs	256 907	61 899	75 127
Commodity CFDs	135 079	46 124	101 483
Currency CFDs	41 847	67 108	5 031
Stock CFDs and ETFs	12 130	11 501	6 649
Bond CFDs	(1 379)	86	78
Total CFDs	444 584	186 718	188 368
Shares and ETFs	2 723	1 574	139
Gross gain on transactions in financial instruments	447 307	188 292	188 507
Bonuses and discounts paid to customers	(1 183)	(1 131)	(651)
Commission paid to cooperating brokers	(7 999)	(6 612)	(2 460)
Net gain on transactions in financial instruments	438 125	180 549	185 396

XTB places great importance on the geographical diversification of revenues, consistently implementing the strategy of building a global brand. The country from which the Group derives more than 20% of revenues each time is Poland, with a share of 27,3% (Q1 2021 r.: 37,8%). Due to the overall share in the Group's revenues, Poland was separated for presentation purposes as the largest market in terms of revenues in the Group. The Group breaks down its revenues by geographic area according to the country of the XTB office in which the client was acquired.

(IN PLN'000)	THREE-MONTH PERIOD		
	31.03.2022	31.12.2021	31.03.2021
Central and Eastern Europe	216 856	104 382	110 412
- including Poland	119 974	77 887	70 495
Western Europe	146 374	38 675	53 339
Latin America¹	76 381	35 758	22 946
Middle East	193	4 752	-
Total operating income	439 804	183 567	186 697

¹⁾ The subsidiary XTB International Ltd., headquartered in Belize, acquires clients from Latin America and the rest of the world (outside of Europe).

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

(in PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2022	31.12.2021	31.03.2021
Retail segment	424 148	188 963	176 396
Institutional segment (X Open Hub)	15 656	(5 396)	10 301
Total operating income	439 804	183 567	186 697



XTB's business model includes high volatility of revenues depending on the period. Operating results are mainly affected by: (i) volatility on financial and commodity markets; (ii) the number of active clients; (iii) volume of concluded transactions on financial instruments; (iv) general market, geopolitical and economic conditions; (v) competition on the FX/CFD market and (vi) regulatory environment.

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 trading. In this case, a greater 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.

Operating expenses

The operating costs in the first quarter of 2022 amounted to PLN 131,0 million and were PLN 44,1 million higher compared to the comparable period (Q1 2021: PLN 86,9 million). The most important y/y changes occurred in:

- marketing costs, an increase by PLN 17,6 million resulting mainly from higher expenditure on online marketing campaigns;
- costs of salaries and employee benefits, an increase by PLN 15,6 million mainly due to the increase in employment and provisions for variable remuneration components (bonuses);
- commission costs, an increase by PLN 3,6 million resulting from higher amounts paid to payment service providers through which clients deposit their funds in transaction accounts;
- other external services, an increase by PLN 2,6 million as a result of mainly higher expenditure on: (i) IT systems and licenses (increase by PLN 1,0 million y/y); (ii) legal and advisory services (increase by PLN 0,8 million y/y) and (iii) market data delivery services (increase by PLN 0,7 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED		
	31.03.2022	31.12.2021	31.03.2021
Marketing	50 650	37 201	33 050
Salaries and employee benefits	46 492	35 958	30 892
Commission costs	13 267	9 776	9 711
Other external services	11 373	10 746	8 728
Amortization	2 867	2 324	1 952
Other expenses	2 807	1 958	484
Costs of maintenance and lease of buildings	2 048	1 437	803
Taxes and fees	1 532	1 315	1 282
Total operating expenses	131 036	100 715	86 902



In q/q terms, operating costs increased by PLN 30,3 million, mainly due to higher marketing costs by PLN 13,4 million, mainly related to higher expenditure on online marketing campaigns, and higher by PLN 10,5 million costs of remuneration and employee benefits resulting mainly from the increase in employment and an increase in provisions created for variable remuneration components (bonuses) and commission costs higher by PLN 3,5 million, resulting from the amounts paid to payment service providers through which clients deposit their funds in transaction accounts.

	THREE-MONTH PERIOD ENDED							
	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020
Total operating expenses including: (in PLN'000)	131 036	100 715	84 771	76 384	86 902	83 616	60 138	65 721
- Marketing	50 650	37 201	24 772	25 078	33 050	30 861	17 870	22 260
New clients	55 333	42 760	38 573	40 623	67 231	38 413	21 178	30 523
Average number of active clients	149 726	127 174	110 875	106 563	103 425	72 346	55 760	58 508

Due to the dynamic development of XTB, the Management Board estimates that in 2022 the total costs of operating activities may even be about a third higher than that observed in 2021. The priority of the Management Board is to further increase the client base and build a global brand. As a consequence of the implemented activities, marketing expenditure may increase by over 40% compared to the previous year.

The final level of operating costs will depend on the level of variable remuneration components paid to employees, the level of marketing expenditures, the dynamics of geographical expansion into new markets and the impact of potential product interventions and other external factors 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 depends on their impact on the Group's results and profitability, the rate of foreign expansion and on clients responsiveness to the actions taken. The impact of a new product intervention on the Group's revenues will determine, if necessary, a revision of the cost assumptions.

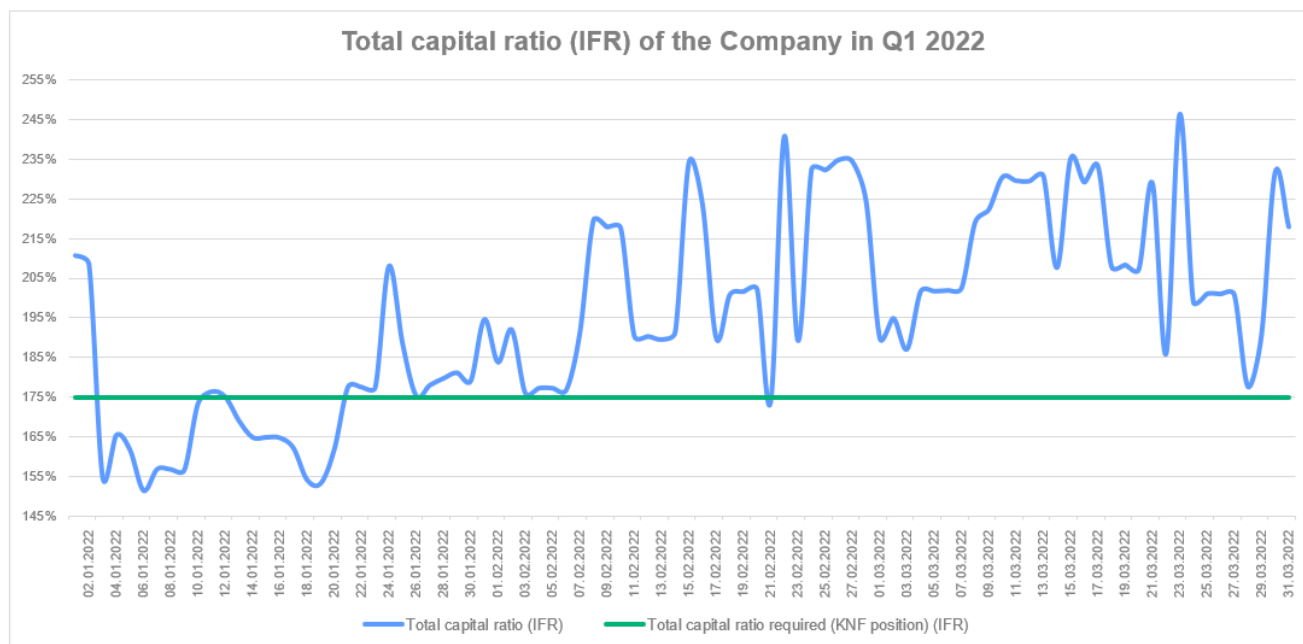
Dividend

The XTB dividend policy assumes recommendation by the Management Board to the General Meeting a dividend payment in the amount taking into account the level of net profit presented in the standalone annual financial report of the Company and a variety of factors relating to the Company, including prospects for further operations, future net profits, demand for cash, financial situation, the level of capital adequacy ratios, expansion plans, legal requirements in this area and KNF guidelines. In particular, the Management Board, when submitting proposals for dividend payment, will be guided by the need to ensure an appropriate level of the Company's capital adequacy ratios and the capital necessary for the development of the Group.

The Management Board maintains that its intention is to recommend to the General Meeting in the future to adopt resolutions on the payment of dividends, taking into account the factors indicated above, in the amount ranging from 50% to 100% of the Company's standalone net profit for a given financial year. The unit net profit for the first quarter of 2022 amounted to PLN 249,0 million.



The levels of the total capital ratio (IFR) of XTB on individual days in the first quarter of 2022 are presented in the chart below.



At the end of the first quarter of this year the total capital ratio in the Company was 218,0%. The total capital ratio informs about the ratio of own funds to risk-weighted assets, in other words, it shows whether the brokerage house is able to cover the minimum capital requirement for market, credit, operational and other risks with its own funds.

Cash and cash equivalents

XTB place part of its cash in financial instruments with a 0% risk weight, i.e. in treasury bonds and bonds guaranteed by the State Treasury. As at March 31, 2022, the total value of own cash and bonds in the XTB Group was PLN 1 271,6 million, of which PLN 937,3 million was cash and PLN 334,3 million for bonds.

OWN CASH AS AT

31.03.2022



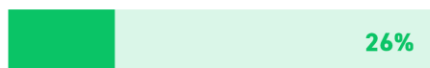
OWN CASH



74%



TREASURY BONDS



26%

31.12.2021



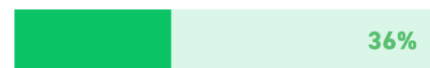
OWN CASH



64%



TREASURY BONDS



36%



Foreign expansion

XTB with its strong market position and dynamically growing client base builds its presence in the non-European markets, consequently implementing a strategy on building a global brand. The XTB Management Board puts the main emphasis on organic development, on the one hand increasing the penetration of European markets, on the other hand successively building its presence in Latin America, Asia and Africa. Following these activities, the composition of the capital group may expanded by new subsidiaries. It is worth mentioning that geographic expansion is a process carried out by XTB on a continuous basis, the effects of which are spread over time. Therefore, one should not expect sudden, abrupt changes in the group results on this action. Currently, the efforts of the Management Board are focused on expansion into the Middle East and Africa markets.

The development of XTB is also possible through mergers and acquisitions, especially with entities that would allow the Group to achieve geographic synergy (complementary markets). Such transactions will be carried out, only when they will bring measurable benefits for the Company and its shareholders. XTB is currently not involved in any acquisition process.