



## **X-TRADE BROKERS DOM MAKLESKI S.A.**

(joint stock company with its registered office in Warsaw and address at ul. Ogrodowa 58, 00-876 Warszawa, entered into the Register of Business Entities of the National Court Register under No. 0000217580)

### **DISCLAIMER**

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### **CURRENT REPORT NO. 16/2020**

Warsaw, 25 October 2020

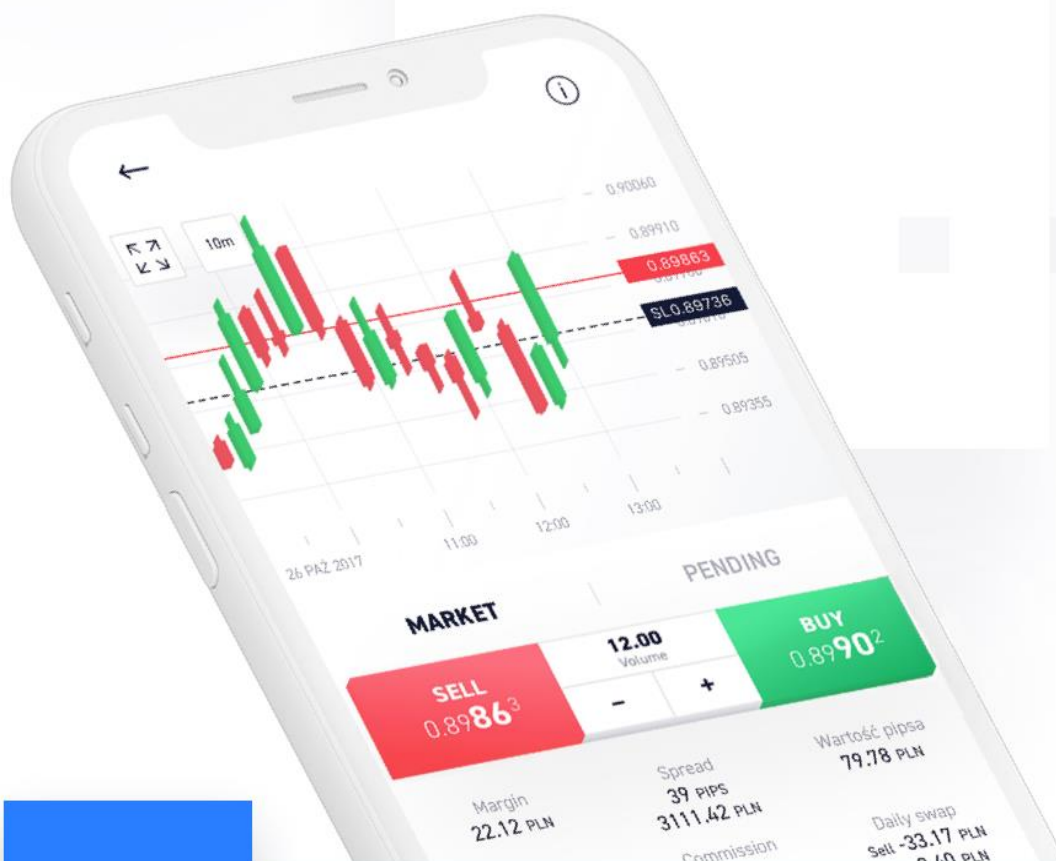
## **Information on the preliminary financial and operating results for the III quartet of 2020**

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”) hereby announces that on 25 October 2020 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 III quarter of 2020 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 III quarter of 2020 will be submitted in the extended consolidated report of the Issuer's Group for the III quarter of 2020, publication of which was planned for 9 November 2020.

#### Legal basis:

Article 17 paragraph 1 MAR – inside information.



## Appendix to the current report

No 16/2020 dated 25 October 2020



## Q3 2020

### NET PROFIT

**68,4** MM PLN

+ 341,1% r/r ↑

### EBIT

**79,5** MM PLN

+ 342,3% r/r ↑

### OPERATING INCOME

**139,6** MM PLN

+ 129,1% r/r ↑

### NEW CLIENTS

**21 178**

+ 110,9% r/r ↑

### AVERAGE NUMBER OF ACTIVE CLIENTS

**55 760**

+ 98,2% r/r ↑

### CFD VOLUME

**760 373**

+ 79,6% r/r ↑

### CFD PROFITABILITY PER LOT

**184** PLN

+ 27,5% r/r ↑



## Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Total operating income	139 630	60 952	657 788	149 733
Total operating expenses	(60 138)	(42 980)	(198 388)	(126 568)
<b>Profit on operating activities (EBIT)</b>	<b>79 492</b>	<b>17 972</b>	<b>459 400</b>	<b>23 165</b>
Finance income	754	2 408	3 819	5 640
Finance costs, including:	(839)	860	(21 596)	(452)
- negative foreign exchange differences relating to a company in Turkey	-	-	(21 880)	-
<b>Profit before tax</b>	<b>79 407</b>	<b>21 240</b>	<b>441 623</b>	<b>28 353</b>
Income tax	(11 010)	(5 733)	(79 767)	(7 690)
<b>Net profit</b>	<b>68 397</b>	<b>15 507</b>	<b>361 856</b>	<b>20 663</b>

(in PLN'000)			AS AT	
	30.09.2020	31.12.2019	30.09.2019	
Own cash	680 024	484 351	436 800	
Own cash + treasury bonds and similar	880 659	499 250	451 695	
Equity	846 590	490 744	456 671	
Standalone capital adequacy ratio (%)	15,1	14,6	11,3	
Aggregated capital adequacy ratio (%)	14,2	13,3	10,8	

## Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
New clients <sup>1</sup>	21 178	10 042	73 612	26 131
Average number of active clients <sup>2</sup>	55 760	28 136	53 309	25 171
Clients in total	219 024	139 949	219 024	139 949
Net deposits (in PLN'000) <sup>3</sup>	296 259	95 259	1 341 444	290 143
Average operating income per active client (in PLN'000) <sup>4</sup>	2,5	2,2	12,3	5,9
Transaction volume in CFD instruments in lots <sup>5</sup>	760 373	423 333	2 374 230	1 203 072
Profitability per lot (in PLN) <sup>6</sup>	184	144	277	124
Transaction volume in CFD instruments in nominal value (in USD'000000)	275 143,5	140 167,7	729 835,2	409 133,3
Profitability per 1 million transaction volume in CFD instruments (in PLN)	131,3	108,7	233,1	91,5
Turnover of shares in nominal value (in USD'000000)	346,1	48,9	866,6	123,6

<sup>1</sup>) The number of new Group's clients in the individual periods.

<sup>2</sup>) The average quarterly number of clients who at least one transaction has been concluded over the last three months.

<sup>3</sup>) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

<sup>4</sup>) 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.

<sup>5</sup>) 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.

<sup>6</sup>) Total operating income divided by the transaction volume in CFDs in lots.



## Management Board's commentary on the preliminary results

In the third quarter of 2020 XTB reported a consolidated net profit of PLN 68,4 million compared to PLN 15,5 million a year earlier. Consolidated revenue amounted to PLN 139,6 million (Q3 2019: PLN 61,0 million) and operating expenses amounted to PLN 60,1 million (Q3 2019: PLN 43,0 million). In this period the Group noted a number of new clients above 21 thousand compared to 10 thousand a year earlier (an increase of 110,9% y/y).

### Revenues

In the third quarter of 2020 XTB noted revenue increase from PLN 61,0 million to PLN 139,6 million, i.e. by 129,1% y/y. The significant factors determining the level of revenues were constantly growing client base combined with their high transaction activity noted in the number of concluded transactions in lots and higher y/y continuing volatility on financial and commodity markets. As a consequence the transaction volume in CFD instruments amounted to 760,4 thousand lots (Q3 2019: 423,3 thousand lots) and a profitability per lot reached PLN 184 (Q3 2019: PLN 114).

	THREE-MONTH PERIOD ENDED							
	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018
Total operating income (in PLN'000)	139 630	211 494	306 664	89 571	60 952	47 891	40 890	42 786
Transaction volume in CFD instruments in lots <sup>1</sup>	760 373	829 017	784 840	394 146	423 333	385 318	394 421	458 869
Profitability per lot (in PLN) <sup>2</sup>	184	255	391	227	144	124	104	93

<sup>1</sup>) 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.

<sup>2</sup>) Total operating income divided by the transaction volume in CFDs in lots.

XTB has a solid foundation in the form of constantly growing client base and the number of active clients. As a consequence the base for generating results is at a much higher level than it was in 2019. In the third quarter of 2020 the Group reported 21 178 new clients compared to 10 042 a year earlier. This is the effect of continuing the optimized sales and marketing strategy, bigger penetration of already existed markets, successive introduction of new products to the offer and expansion into a new geographic markets. Similarly to the number of new clients, the number of active client also increased. The number of active client increased from 28 136 to 55 760, i.e. by 98,2% y/y.

	PERIOD ENDED							
	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018
New clients <sup>1</sup>	21 178	30 523	21 911	10 424	10 042	9 246	6 843	5 742
Average number of active clients <sup>2</sup>	53 309	52 084	45 660	26 582	25 171	23 688	22 245	21 279

<sup>1</sup>) The number of new Group's clients in the individual periods.

<sup>2</sup>) The average quarterly number of clients respectively for 9, 6 and 3 months of 2020 and 12, 9, 6 and 3 months of 2019 and 12 months of 2018.

The first half of 2020 was marked by above-average volatility in financial markets, what allowed XTB to achieve record revenues and significantly increase the client base. The priority of the Management Board is to further increase the client base in the subsequent periods, leading to strengthen the market position in the world. These activities will be supported by a number of initiatives, including introduced on October 5 this year a new offer for shares and ETFs (Exchange-Traded Funds) "0% commission" for monthly volumes up to EUR 100 000. This offer was received with great enthusiasm by current and new XTB clients. The company aims to be the first choice and comprehensive solution for every investor. Over the past few years, XTB has done a great deal of work – from expanding the offer by around 3 000 financial instruments (from 1 500 to 4 500 currently), to the continuous improvement of the web and mobile version of the award-winning xStation platform. Now with



a free offer, XTB has opened the door wide to anyone interested in investing in both real stocks and ETFs. XTB currently allows client to invest in over 2 000 real stocks from 16 of the world's largest stock exchanges, including New York Stock Exchange, London Stock Exchange, Spanish Bolsa de Madrid, German Börse Frankfurt and of course Warsaw Stock Exchange. Besides stocks, XTB offers over 200 ETFs, including commodities, real estate and bonds.

The „0% commission“ offer is supported by a marketing and advertising campaign with the participation of the new XTB brand ambassador – one of the best football manager on the world, José Mourinho. The new XTB ambassador is the coach who not only won championships in a record number of countries (Portugal, England, Italy and Spain), but is also one of only three coaches who have won the UEFA Champions League twice with two clubs. The Portuguese will be the XTB's global ambassador for the next two years.

The announcement of José Mourinho collaboration with XTB also marked the launch of the new global marketing campaign “Be like José”. Its creative concept is based on the similarities between the challenges faced by investors and trainers on a daily basis. A well-considered strategy, the will to win and the ability to learn from mistakes are the main factors of success in both football and finance.

The company expects on the effectiveness of the new offer for shares and ETFs as well as the campaign with José Mourinho and plans to approach the possibility of repeatedly obtaining 30 000 clients in the coming periods. In particular, the ambition of the Management Board is to acquire in the fourth quarter of 2020 approximately 25-30 thousand of new clients and in 2021 an average 30 thousand new clients quarterly. As a result of the implemented actions, in the period from 1 to 23 October this year the Group acquired 8,4 thousand new clients in total.

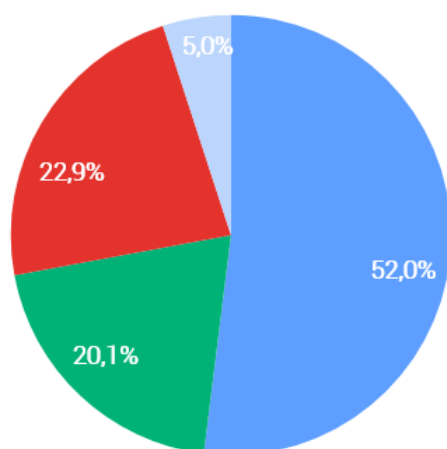
XTB clients, looking for investment opportunities to earn money, generally trade in financial instruments that are characterized by high market volatility in a given period. This may lead to fluctuations in the revenue structure by the asset class, which should be treated as a natural element of the business model. From the point of view of XTB, it is important that the range of financial instruments in the Group's offer is as broad as possible and allows clients to use every upcoming market opportunity to earn money.

Based on the previous two quarters, the third quarter of 2020 brought a noticeable drop in market volatility during the holidays in July and August. Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in the third quarter of 2020 reached 52,0% against 36,5% a year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the US indices US100 and US500. The second most profitable class of assets were CFD based on commodities. Their share in the structure of revenues on financial instruments in the third quarter of 2020 reached 22,9% (Q3 2019: 8,7%). The most profitable instruments among this asset class were CFD instruments based on gold and silver. Revenues of CFD based on currency reached 20,1% of all revenues, compared to 51,7% a year earlier. Among this class of instruments, the EURUSD currency pair was the most popular between XTB clients.

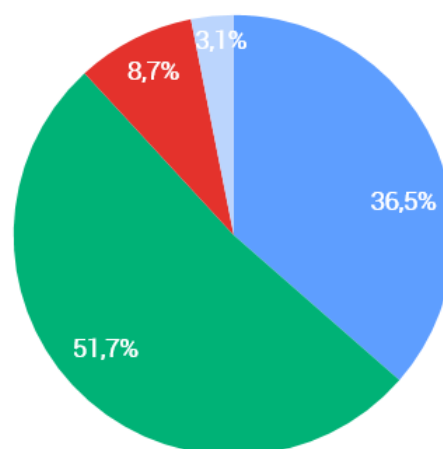


The structure of revenue by asset class (in %)

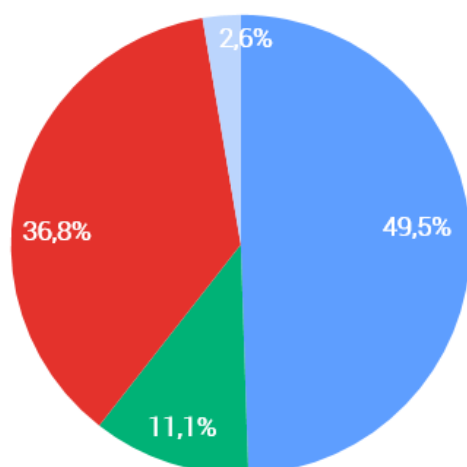
Q3 2020



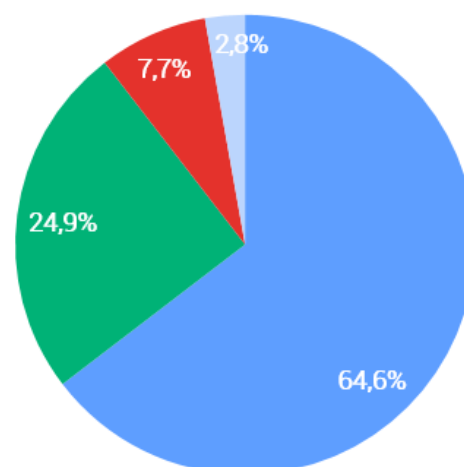
Q3 2019



Q1 - Q3 2020



Q1 - Q3 2019



(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Index CFDs	73 164	21 937	325 982	94 532
Commodity CFDs	32 266	5 256	242 309	11 206
Currency CFDs	28 307	31 125	73 050	36 461
Stock CFDs and ETFs	4 112	1 207	8 512	2 369
Bond CFDs	54	404	192	1 067
<b>Total CFDs</b>	<b>137 903</b>	<b>59 929</b>	<b>650 045</b>	<b>145 635</b>
Shares and ETFs	2 878	268	8 876	668
<b>Gross gain on transactions in financial instruments</b>	<b>140 781</b>	<b>60 197</b>	<b>658 921</b>	<b>146 303</b>
Bonuses and discounts paid to clients	(627)	(61)	(1 086)	(150)
Commission paid to cooperating brokers	(1 506)	(344)	(3 789)	(924)
<b>Net gain on transaction in financial instruments</b>	<b>138 648</b>	<b>59 792</b>	<b>654 046</b>	<b>145 229</b>



XTB places great importance on the geographical diversification of revenues, consistently implementing the strategy of building a global brand. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 34,5% (Q3 2019: 41,4%) and 15,9% (Q3 2019: 18,5%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
<b>Central and Eastern Europe</b>	<b>59 450</b>	<b>34 252</b>	<b>316 574</b>	<b>78 955</b>
- including Poland	48 180	25 211	225 110	61 423
<b>Western Europe</b>	<b>54 550</b>	<b>22 934</b>	<b>270 082</b>	<b>59 870</b>
- including Spain	22 189	11 247	114 194	32 434
<b>Latin America</b>	<b>25 630</b>	<b>3 766</b>	<b>71 132</b>	<b>10 908</b>
<b>Total operating income</b>	<b>139 630</b>	<b>60 952</b>	<b>657 788</b>	<b>149 733</b>

XTB puts also strong emphasis on diversification of segment revenues. Therefore the Group 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)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Retail segment	129 083	60 161	557 640	138 312
Institutional segment (X Open Hub)	10 547	791	100 148	11 421
<b>Total operating income</b>	<b>139 630</b>	<b>60 952</b>	<b>657 788</b>	<b>149 733</b>

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.



## Expenses

In the third quarter of 2020 operating expenses amounted to PLN 60,1 million and were higher by PLN 17,1 million in relation to the same period a year earlier (Q3 2019: PLN 43,0 million). The most significant changes occurred in:

- marketing costs, an increase of PLN 9,1 million mainly due to higher expenditures on marketing online campaigns;
- costs of salaries and employee benefits, an increase of PLN 4,0 million mainly due to increase in employment;
- commission expenses, an increase of PLN 3,3 million as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- other external costs, an increase of PLN 1,3 million as a result of higher expenditures on: (i) IT systems and licenses (an increase of PLN 0,8 million y/y); (ii) IT support services (an increase of PLN 0,6 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Salaries and employee benefits	25 385	21 368	91 071	61 898
Marketing	17 870	8 735	56 870	27 494
Other external services	7 045	5 737	20 277	17 098
Costs of maintenance and lease of buildings	1 043	884	2 944	2 416
Amortization and depreciation	1 832	1 795	5 647	5 033
Taxes and fees	1 026	551	2 418	2 081
Commission expenses	5 480	2 143	16 004	6 047
Other expenses	457	1 767	3 157	4 501
<b>Total operating expenses</b>	<b>60 138</b>	<b>42 980</b>	<b>198 388</b>	<b>126 568</b>

In q/q terms, operating costs decreased of PLN 5,6 million mainly due to lower by PLN 4,4 million costs of marketing expenditures and lower by PLN 1,5 million costs of salaries and employee benefits.

	THREE-MONTH PERIOD ENDED							
	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018
Total operating income including: (in PLN'000)	60 138	65 721	72 529	47 324	42 980	42 490	41 098	40 862
- Marketing	17 870	22 260	16 740	10 222	8 735	9 581	9 178	7 878
New clients	21 178	30 523	21 911	10 424	10 042	9 246	6 843	5 742
Average number of active clients	55 760	58 508	45 660	30 815	28 136	25 131	22 245	20 568

The Management Board expects that during the whole 2020 operating costs of the Group may be higher by approximately 50% compared to 2019, of which in the fourth quarter of 2020 marketing costs are expected to increase to levels higher than in the second quarter of 2020, whilst the cost of salaries and employee benefits will be at a similar level to that of the third quarter of 2020. As a consequence, the total value of operating costs in the fourth quarter of 2020 may be similar to that of the second quarter of 2020.

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 and capital requirements

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.

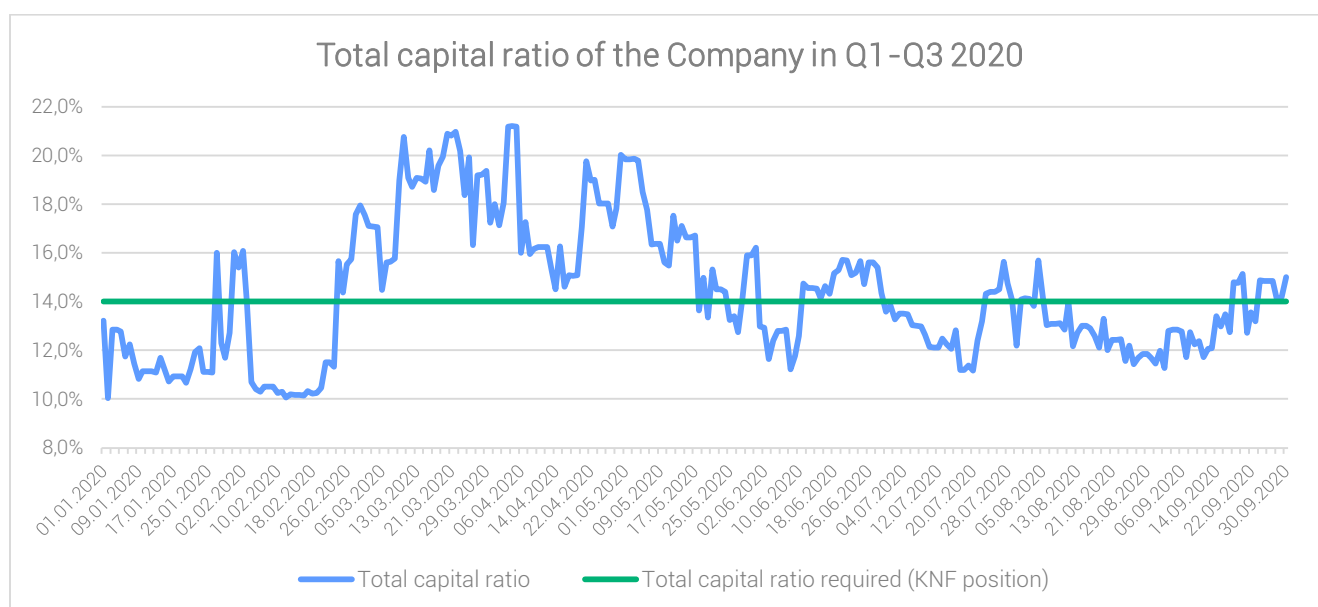
The Management Board maintains that its intention is to recommend in the future the adoption of resolutions to the General Meeting on dividend payment taking into account factors mentioned above, at the level of 50% to 100% of Company's standalone net profit of a given financial year. The standalone net profit for nine months of 2020 amounted to PLN 380,5 million.

Taking into account the position of the KNF published on 22 May 2018, regarding the dividend policy of brokerage houses in the medium term, it is recommended to pay dividends only by brokerage houses that especially:

- at the end of each quarter, have a total capital ratio of at least 14% - then it is possible to pay a dividend in the amount not higher than 100% of the net profit for a given year, or
- as at the last calendar day of a given year had a total capital ratio of at least 14% - then it is possible to pay a dividend at the level not exceeding 75% of the net profit for a given year;
- obtain a BION supervisory assessment of 1 or 2.

As at the date of publication of this current report, the Company is waiting for the latest BION assessment. In recent years the Company received it from KNF in July.

The chart below presents levels of the total capital ratio in Q1-Q3 2020.



The total capital ratio informs about the relation between own funds and risk-weighted assets. 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. At the end of the first quarter of this year the total capital ratio in the Company amounted to 18,0%, at the end of the second quarter of 2020: 13,6%, and at the end of third quarter of 2020: 15,1%. This means that on condition of obtaining the total capital ratio



as at 31.12.2020 at the level of at least 14% and meeting the other criteria, it will be possible to pay a dividend from the Company's standalone net profit for the 2020 at the level of up to 75% of its profit.

The Management Board wants to protect the interest of shareholders in terms of the possibility of paying dividends from net profit of 2020 and applied to KNF for permission to include part of the profit for H1 2020 (maximum to 24,9% of this net profit) to Equity Tier I. As a result of these actions, if the KNF approval will be obtained, the Company's capital base and the total capital ratio should be increased. In the opinion of the Management Board, this will secure the achievement of the total capital ratio as at 31.12.2020 at the level of at least 14%.

## Cash and cash equivalents

In an environment of low interest rates, which discourages the maintenance of high deposits in banks, XTB started to locate part of its cash in financial instruments with a risk weight of 0% (treasury bonds and bonds guaranteed by the State Treasury). As at 30.09.2020 the total amount of own cash and treasury bonds in the Group amounted to PLN 880,7 million, that includes PLN 680,0 million of own cash and PLN 200,7 million of treasury bonds. The Management Board assumes that the value of the portfolio of instruments of 0% risk will increase in the future

## 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 will be 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. The ambition of the Management Board is to create legal and organizational framework by the end of 2020 for the start of operational activities with the beginning of 2021 in a chosen Asian country. But when it comes to South Africa, due to the complex local formal and legal conditions, the Management Board is currently unable to indicate the expected date of start-up operations on this market.

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.