



## **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. 17/2022**

Warsaw, 26 October 2022

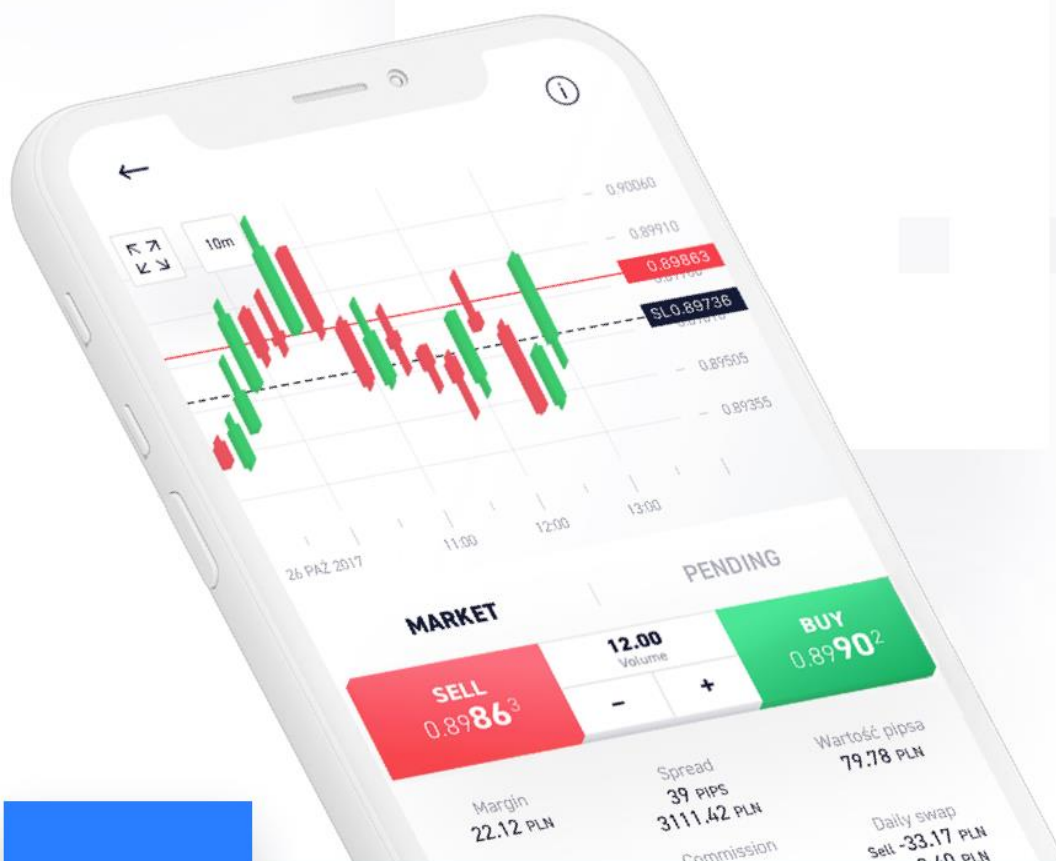
# **Preliminary financial and operating results for the III quarter of 2022**

The Management Board of the XTB S.A (the „Issuer”) hereby announces that on 26 October 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 III 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 III quarter of 2022 will be submitted in the extended consolidated report of the Issuer’s Group for the III quarter of 2022, publication of which was planned for 8 November 2022.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



## Appendix to the current report

No. 17/2022 dated 26 October 2022

Preliminary financial and operating results  
for the III quarter of 2022



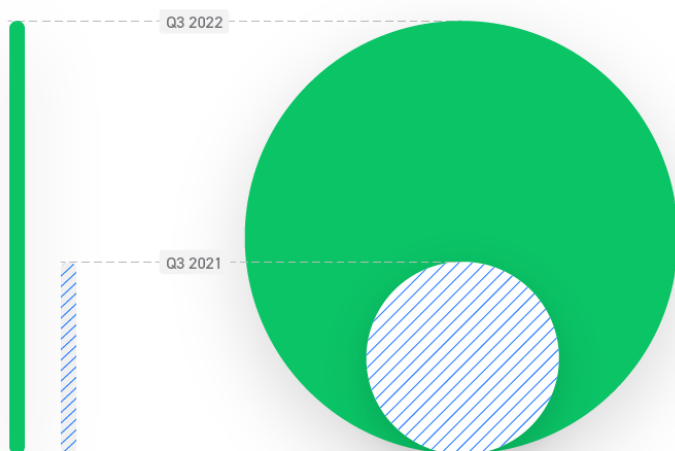
# XTB KEY PERFORMANCE INDICATORS Q3 2022



## NET PROFIT

**236.2** MM  
PLN

▲ +126.5% y/y



## OPERATING INCOME

**391.3** MM  
PLN

▲ +95.6% y/y



## EBIT

**258.7** MM  
PLN

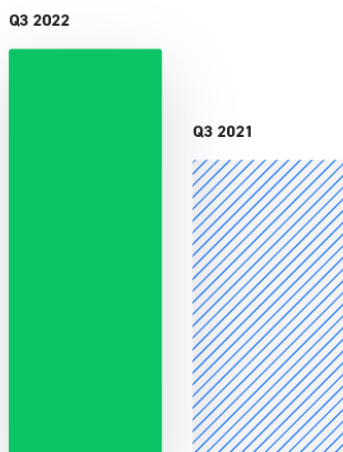
▲ +124.5% y/y



## AVERAGE NUMBER OF ACTIVE CLIENTS

**151 685**

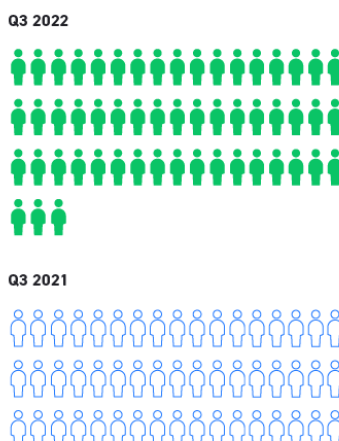
▲ +36.8% y/y



## NEW CLIENTS

**44 796**

▲ +16.1% y/y



## CFD PROFITABILITY PER LOT

**245** PLN

▲ +28.1% y/y



## CFD VOLUME

**1 594 606**

▲ +52.7% y/y





## Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Total operating income	391 289	200 029	1 227 503	442 028
Total operating expenses	(132 546)	(84 771)	(400 332)	(248 057)
<b>Profit on operating activities (EBIT)</b>	<b>258 743</b>	<b>115 258</b>	<b>827 171</b>	<b>193 971</b>
Finance income	32 081	13 064	49 812	13 724
Finance costs	(277)	(134)	(789)	(1 484)
<b>Profit before tax</b>	<b>290 547</b>	<b>128 188</b>	<b>876 194</b>	<b>206 211</b>
Income tax	(54 328)	(23 883)	(160 405)	(36 900)
<b>Net profit</b>	<b>236 219</b>	<b>104 305</b>	<b>715 789</b>	<b>169 311</b>

(in PLN'000)			AS AT
	30.09.2022	31.12.2021	30.09.2021
Own cash	1 259 691	589 392	754 553
Own cash + bonds	1 611 712	921 318	898 910
Equity	1 462 363	915 560	847 234

## Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
New clients <sup>1</sup>	44 796	38 573	145 826	146 427
Clients in total	567 387	388 973	567 387	388 973
Number of active clients <sup>2</sup>	151 685	110 875	224 339	160 608
Average number of active clients <sup>3</sup>	151 685	110 875	150 444	106 961
Net deposits (in PLN'000) <sup>4</sup>	796 899	559 334	2 746 487	2 161 304
Average operating income per active client (in PLN'000) <sup>5</sup>	2,6	1,8	8,2	4,1
Transaction volume in CFD instruments in lots <sup>6</sup>	1 594 606	1 044 329	4 645 262	3 031 018
Profitability per lot (in PLN) <sup>7</sup>	245	192	264	146
Transaction volume in CFD instruments in nominal value (in USD'000000)	539 879	502 650	1 710 807	1 255 254
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) <sup>8</sup>	152	102	162	92
Turnover of shares in nominal value (in USD'000000)	678	898	2 615	3 352

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

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

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

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

<sup>5)</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>6)</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. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

<sup>7)</sup> Total operating income divided by the transaction volume in CFDs in lots.

<sup>8)</sup> 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 third quarter of 2022 XTB reported a consolidated net profit of PLN 236,2 million compared to PLN 104,3 million a year earlier. This is an increase by PLN 131,9 million, i.e. by 126,5% y/y. Consolidated revenue amounted to PLN 391,3 million (Q3 2021: PLN 200,0 million), and operating expenses amounted to PLN 132,5 million (Q3 2021: PLN 84,8 million). The number of active clients amounted to 151,7 thousand compared to 110,9 thousand a year earlier, which means an increase by 36,8% y/y.

(in PLN'000)	THREE-MONTH PERIOD ENDED							
	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Total operating income	391 289	396 410	439 804	183 567	200 029	55 302	186 697	139 962
Total operating expenses	(132 546)	(136 750)	(131 036)	(100 715)	(84 771)	(76 384)	(86 902)	(83 616)
Profit (loss) on operating activities (EBIT)	258 743	259 660	308 768	82 852	115 258	(21 082)	99 795	56 346
Net profit (loss)	236 219	226 931	252 639	68 519	104 305	(24 045)	89 051	40 231

## Revenues

In the third quarter of 2022, the Group's revenues increase by 95,6% y/y, i.e. from PLN 200,0 million to PLN 391,3 million. Significant factors determining their level were high volatility in the financial and commodity markets and the constantly growing number of active clients (increase by 36,8% y/y), connected with their high transaction activity expressed in the number of contracts concluded in lots. As a consequence the transaction volume in CFD instruments amounted to 1 595 thousand lots (Q3 2021: 1 044 thousand lots), and a profitability per lot amounted to PLN 245 (Q3 2021: PLN 192).

	THREE-MONTH PERIOD ENDED							
	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Total operating income (in PLN'000)	391 289	396 410	439 804	183 567	200 029	55 302	186 697	139 962
Transaction volume in CFD instruments in lots <sup>1</sup>	1 594 606	1 489 917	1 560 739	1 073 549	1 044 329	871 300	1 115 389	800 935
Profitability per lot (in PLN) <sup>2</sup>	245	266	282	171	192	63	167	175
Transaction volume in CFD instruments in nominal value (in USD'000000)	539 879	539 673	631 255	482 097	502 650	366 257	386 347	292 000
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) <sup>3</sup>	152	168	167	94	102	40	127	126

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

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

<sup>3</sup>) 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. From the beginning of the year, the Group acquired 145 826 new clients compared to 146 427 a year earlier, which means a slight decrease by 0,4% mainly due to high base from the first quarter of 2021, while the number of active clients was record high and reached the level of 224,3 thousand compared to 160,6 thousand a year earlier, which means an increase by 39,7% y/y.



	PERIOD ENDED							
	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
New clients <sup>1)</sup>	44 796	45 697	55 333	42 760	38 573	40 623	67 231	38 413
Clients in total <sup>2)</sup>	567 387	525 287	481 931	429 157	388 973	352 946	316 658	255 791
Number of active clients <sup>3)</sup>	224 339	190 088	149 726	190 452	160 608	133 415	103 446	107 287
Average number of active clients <sup>4)</sup>	150 444	149 824	149 726	112 015	106 961	105 005	103 446	58 069

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

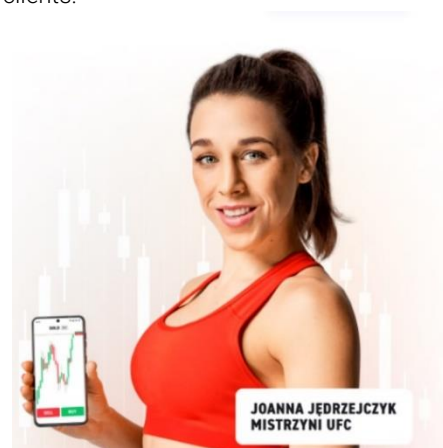
<sup>2)</sup> Number of clients at the end of individual quarters.

<sup>3)</sup> Number of active clients respectively in the 9, 6 and 3 months of 2022 and 12, 9, 6 and 3 months of 2021 and 12 months of 2020, respectively. An active client is a client who carried out at least one transaction in a period.

<sup>4)</sup> The average quarterly number of clients respectively for 9, 6 and 3 months of 2022 and 12, 9, 6 and 3 months of 2021 and 12 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 in the first quarter of this year 55,3 thousand new clients and in the second quarter of this year nearly 45,7 thousand new clients, while in the third quarter of this year, almost 44,8 thousand new clients. In turn, in the first 25 days of October 2022, XTB acquired 14,1 thousand new clients.

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 with the participation of new XTB brand ambassadors. In February 2022, an advertising campaign was launched with the participation of the titled martial arts competitor, the first Polish woman in the UFC organization and the champion of this organization, as well as the three-time world champion in Thai boxing - Joanna Jędrzejczyk.



In September 2022, promotional activities were launched with the participation of Conor McGregor, another XTB brand ambassador – an Irish mixed martial arts (MMA) fighter and the UFC. Conor McGregor is the biggest martial arts star in the world and the best rewarded athlete according to Forbes' list. Conor is not only a fighter, but also a successful person in business as an investor in many interesting projects.



The face of the XTB brand is also Jiří Procházka, a Czech fighter, one of the leading MMA fighters, UFC champion. Thanks to this cooperation, XTB plans to continue its intense promotional activities.



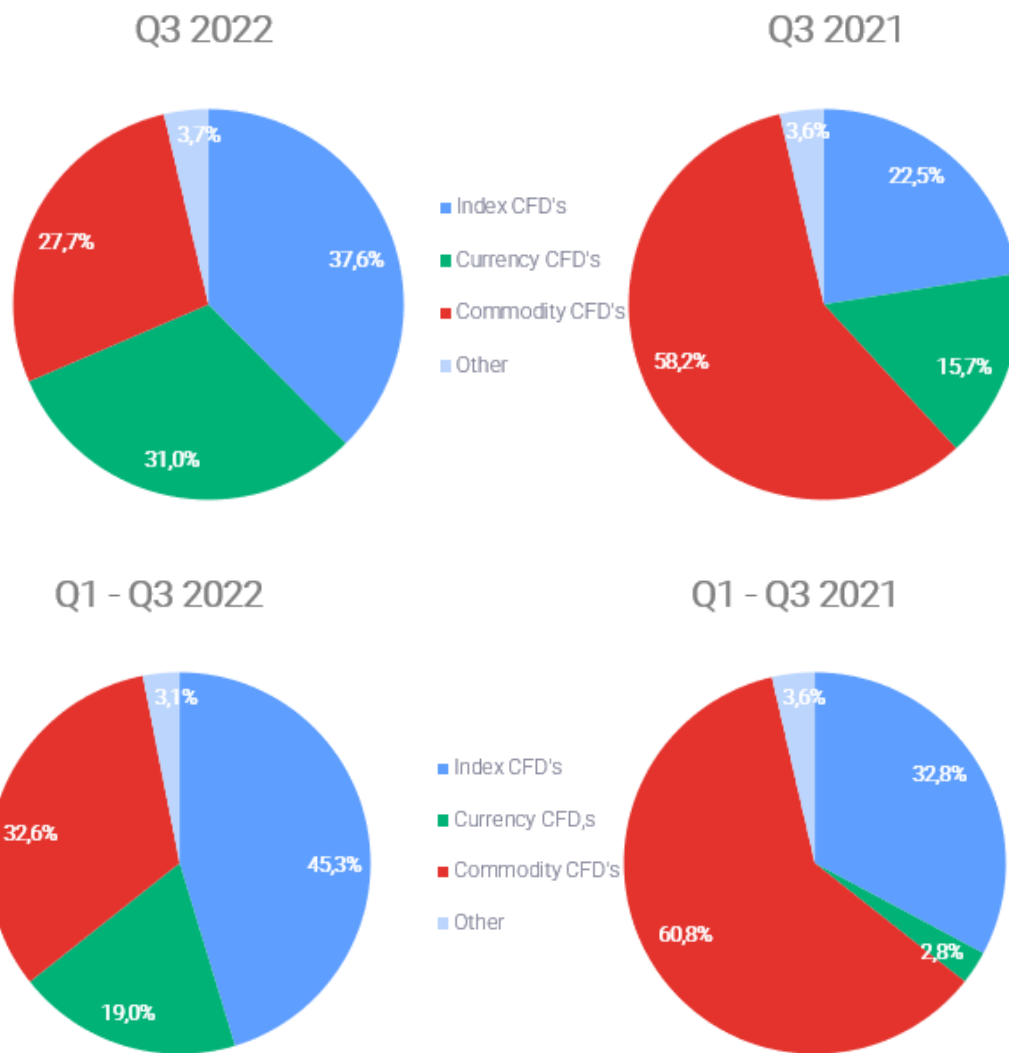
The team of XTB ambassadors was also joined in 2022 by Iker Casillas, a former Real Madrid footballer, considered one of the best goalkeepers of all time. He is currently the Deputy Director General of the Real Madrid Foundation.

XTB, thanks to the cooperation with such personalities as Joanna Jędrzejczyk, Conor McGregor, Jiří Procházka or Iker Casillas 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 third quarter of 2022 CFDs based on index were in the lead. Their share in the structure of revenues on financial instruments reached 37,6%. This is a consequence of high profitability on CFD instruments based on the US 100 index, Warsaw Stock Exchange index WIG20, the German DAX index (DE30) or the US 500 index. The second most profitable asset class was CFD based on currencies. Their share in the revenue structure in the third quarter of 2022 was 31,0%. The most profitable instruments in this class were CFDs on currency pairs EURUSD, USDPLN and GBPUSD. Revenues on CFDs based on commodities accounted for 27,7% of all revenues, where the most profitable financial instruments in this class were CFD based on gold, oil prices and natural gas prices.



The structure of revenue by asset class (in %)



(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Index CFDs	150 892	45 783	568 788	147 405
Currency CFDs	124 222	31 986	238 690	12 653
Commodity CFDs	111 421	118 572	408 911	267 824
Stock CFDs and ETFs	12 550	8 167	35 699	23 384
Bond CFDs	1 778	60	548	137
<b>Total CFDs</b>	<b>400 863</b>	<b>204 568</b>	<b>1 252 636</b>	<b>451 403</b>
Shares and ETFs	441	(796)	2 592	(2 263)
<b>Gross gain on transactions in financial instruments</b>	<b>401 304</b>	<b>203 772</b>	<b>1 255 228</b>	<b>449 140</b>
Bonuses and discounts paid to clients	(1 497)	(467)	(4 166)	(1 569)
Commission paid to cooperating brokers	(10 239)	(4 574)	(28 378)	(9 667)
<b>Net gain on transactions in financial instruments</b>	<b>389 568</b>	<b>198 731</b>	<b>1 222 684</b>	<b>437 904</b>



XTB's business model includes high volatility of revenues from period to 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 at such times it achieves the highest revenues. Therefore, high activity of financial and commodities markets 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 for the Group's business model.

## Expenses

In the third quarter of 2022 operating expenses amounted to PLN 132,5 million and were higher PLN 47,7 million to the same period a year earlier (Q3 2021: PLN 84,8 million). The most significant changes occurred in:

- marketing costs, an increase of PLN 23,8 million mainly due to higher expenditures on marketing online and offline campaigns;
- costs of salaries and employee benefits, an increase of PLN 12,4 million mainly due to the increase in employment;
- commission expenses, an increase of PLN 4,4 million as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- other external services, an increase by PLN 4,0 million as a result of mainly higher expenditure on: (i) IT systems and licenses (increase by PLN 1,5 million y/y); (ii) legal and advisory services (increase by PLN 1,2 million y/y) and (iii) recruitment costs (increase by PLN 0,5 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Salaries and employee benefits	49 036	36 613	142 014	95 858
Marketing	48 579	24 772	153 891	82 900
Commission expenses	12 995	8 620	40 585	26 411
Other external services	12 737	8 762	35 102	27 134
Amortization and depreciation	3 080	2 284	8 735	6 597
Taxes and fees	2 899	1 595	7 645	4 058
Costs of maintenance and lease of buildings	1 958	1 081	5 923	2 970
Other costs	1 262	1 044	6 437	2 129
<b>Total operating expenses</b>	<b>132 546</b>	<b>84 771</b>	<b>400 332</b>	<b>248 057</b>



In q/q terms, operating costs decreased by PLN 4,2 million, mainly due to the offline marketing expenditure lower by PLN 6,1 million and the costs of remuneration and employee benefits higher by PLN 2,6 million, mainly due to employment growth.

	THREE-MONTH PERIOD ENDED							
	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Total operating expenses including: (in PLN'000)	132 546	136 750	131 036	100 715	84 771	76 384	86 902	83 616
- Marketing	48 579	54 662	50 650	37 201	24 772	25 078	33 050	30 861
New clients	44 796	45 697	55 333	42 760	38 573	40 623	67 231	38 413
Clients in total <sup>1</sup>	567 387	525 287	481 931	429 157	388 973	352 946	316 658	255 791
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Average number of active clients <sup>3</sup>	151 685	149 922	149 726	127 174	110 875	106 563	103 425	72 346

<sup>1)</sup> The total number of the Group's clients at the end of individual periods.

<sup>2)</sup> Number of active clients respectively in the 9, 6 and 3 months of 2022 and 12, 9, 6 and 3 months of 2021 and 12 months of 2020, respectively. An active client is a client who carried out at least one transaction in a period.

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

Due to the dynamic development of XTB, the Management Board estimates that in 2022 the total costs of operating activities may even be about 50-55% 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 expenditures may increase in 2022 by nearly 70% compared to the previous year.

The final level of operating costs depend on the level of marketing expenses, changes in the level of employment in the Group, the amount of variable components paid to employees and the pace of geographic expansion into new markets.

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 employment growth in the Group will be driven by its dynamic development, both on the existing and new markets. The amount of variable remuneration components is influenced by the Group's results.

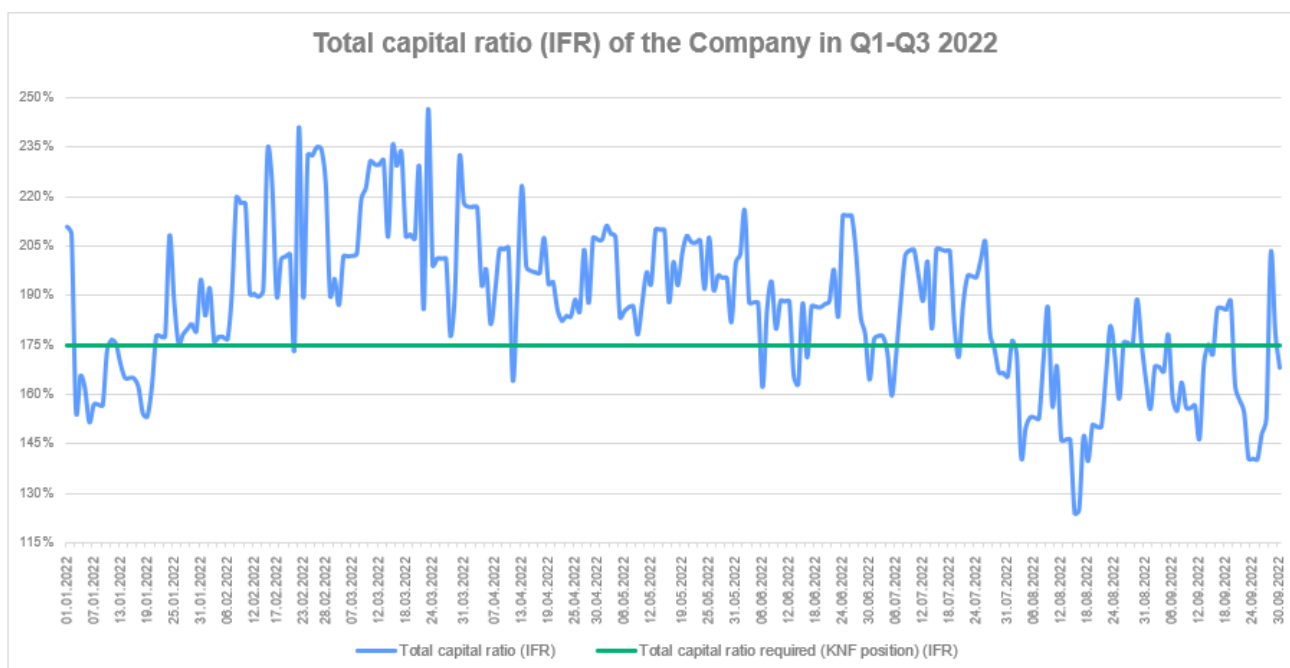
## Dividend

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 9-month period of 2022 amounted to PLN 712,7 million.



The levels of the total capital ratio (IFR) of XTB on individual days in Q1-Q3 2022 are presented in the chart below.



At the end of the third quarter of this year the total capital ratio in the Company amounted to 168,0%. 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 invests part of its cash in bank deposits and in financial instruments with a 0% risk weight, i.e. in treasury bonds and bonds guaranteed by the State Treasury. As at September 30, 2022 the total value of own cash and bonds in the XTB Group was PLN 1 611,7 million, which PLN 1 259,7 million was cash and PLN 352,0 million for bonds.

### OWN CASH AS AT

30.09.2022



31.12.2021





## 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 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. Currently, the efforts of the Management Board are focused on expansion into the Middle East and Africa markets. The intention of the Management Board is to start operating in South Africa in mid-2023.

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.

