



## **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)

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### **CURRENT REPORT NO. 2/2020**

Warsaw, 3 February 2020

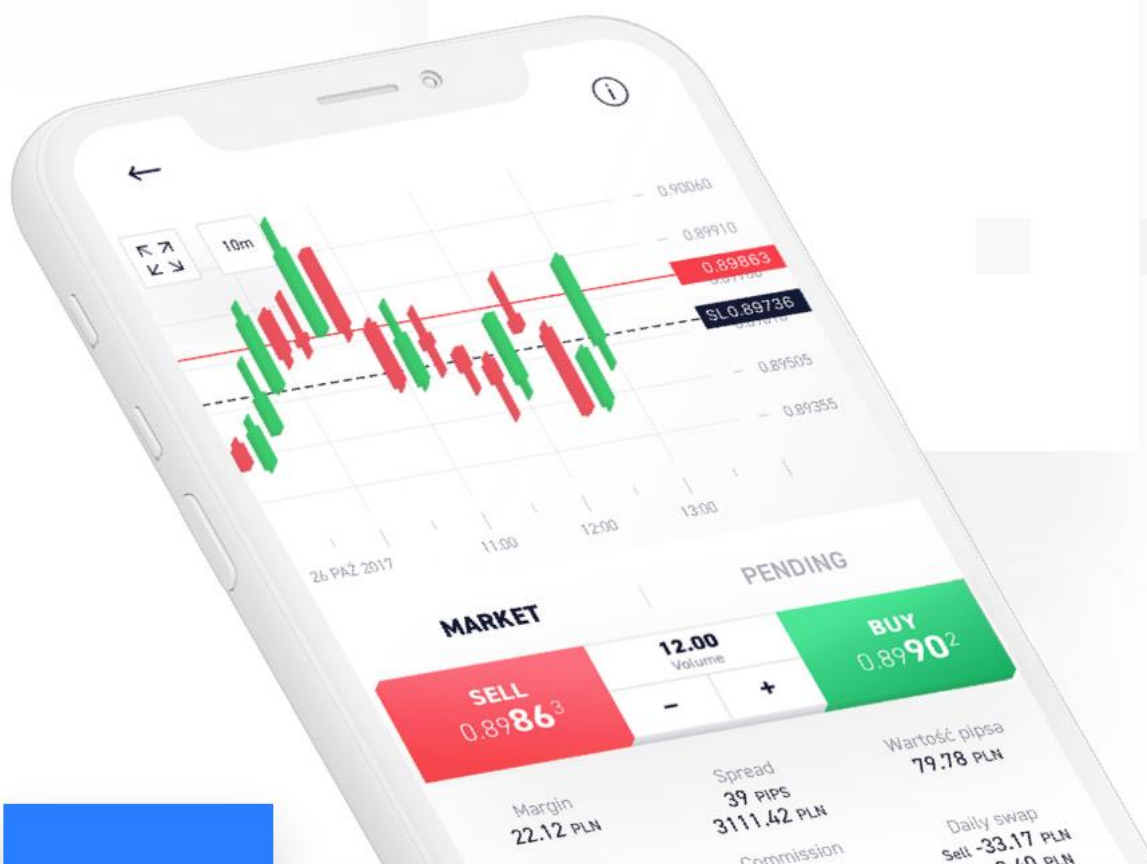
## **Information on the preliminary financial and operating results for the year 2019**

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”, “Company”, “XTB”) hereby announces that on 3 February 2020 the aggregation process of financial data for the purpose of the preparation of the reports for the year 2019 – of the Company and of the Issuer’s Capital Group, respectively – 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 year 2019 will be submitted in the yearly reports – of the Company and of the Issuer’s Capital Group, respectively – publication of which was planned for 10 March 2020.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



## Appendix to the current report

No. 2/2020 dated 3 February 2020



## QIV 2019

NET PROFIT

**37,2** MM PLN

+ 836,3% y/y ↑

EBIT

**42,3** MM PLN

+ 2 099,3% y/y ↑

OPERATING INCOME

**89,6** MM PLN

+ 109,4% y/y ↑

NEW CLIENTS

**10 424**

+ 81,5% y/y ↑

AVERAGE NUMBER OF  
ACTIVE CLIENTS

**30 815**

+ 49,8% y/y ↑

CFD VOLUME

**394 146**

- 14,1% y/y ↓

CFD PROFITABILITY PER LOT

**227** PLN

+ 144,1% y/y ↑



## Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Total operating income	89 590	42 786	239 323	288 301
Total operating expenses	(47 275)	(40 862)	(173 843)	(172 492)
<b>Profit on operating activities (EBIT)</b>	<b>42 315</b>	<b>1 924</b>	<b>65 480</b>	<b>115 809</b>
Finance income	1 310	(174)	6 950	9 083
Finance costs	(2 474)	2 502	(2 926)	(221)
<b>Profit before tax</b>	<b>41 151</b>	<b>4 252</b>	<b>69 504</b>	<b>124 671</b>
Income tax	(3 952)	(279)	(11 642)	(23 200)
<b>Net profit</b>	<b>37 199</b>	<b>3 973</b>	<b>57 862</b>	<b>101 471</b>

(in PLN'000)	AS AT	
	31.12.2019	31.12.2018
Own cash	484 328	467 987
Equity	490 901	455 156
Standalone capital adequacy ratio (%)	14,6	20,0
Aggregated capital adequacy ratio (%)	14,0	19,1

## Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
New clients <sup>1</sup>	10 424	5 742	36 555	20 672
Average number of active clients <sup>2</sup>	30 815	20 568	26 582	21 279
Clients in total	149 304	116 517	149 304	116 517
New accounts <sup>3</sup>	26 747	13 930	89 629	49 740
Average number of active accounts <sup>4</sup>	33 765	22 528	29 099	23 656
Accounts in total	323 315	238 980	323 315	238 980
Net deposits (in PLN'000) <sup>5</sup>	119 278	78 702	409 420	332 907
Average operating income per active client (in PLN'000) <sup>6</sup>	2,9	2,1	9,0	13,5
Average operating income per active account (in PLN'000) <sup>7</sup>	2,7	1,9	8,2	12,2
Transaction volume in CFD instruments in lots <sup>8</sup>	394 146	458 869	1 597 218	2 095 412
Profitability per lot (in PLN) <sup>9</sup>	227	93	150	138
Transaction volume in CFD instruments in nominal value (in USD'000000)	132 376,2	160 515,2	541 509,5	773 899,0
Profitability per 1 million USD transaction volume in CFD instruments (in PLN)	178,2	70,9	116,4	99,1
Turnover of shares in nominal value (in USD'000000)	55,2	20,2	178,8	49,7

<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> The number of accounts opened by the Group's clients in the individual periods.

<sup>4)</sup> The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.

<sup>5)</sup> Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

<sup>6)</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>7)</sup> 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.

<sup>8)</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>9)</sup> Total operating income divided by the transaction volume in CFDs in lots.



## Management Board's commentary on the preliminary results

In 2019 XTB reported a consolidated net profit of PLN 57,9 million compared to PLN 101,5 million net profit a year earlier. Consolidated revenues amounted to PLN 239,3 million compared to PLN 288,3 million a year earlier, and operating costs PLN 173,8 million (2018: PLN 172,5 million). The Group gained a record number of new clients, i.e. 36 555, which means an increase by 76,8% y/y.

### Revenues

In 2019 the revenues decreased by 17,0% y/y, i.e. PLN 49,0 million from PLN 288,3 million to PLN 239,3 million. An important factor which determined the level of XTB revenues in 2019 was the product intervention of the European Securities and Markets Authority (ESMA), coming into force in August 2018. Those regulations determined the maximum permitted level of leverage for retail clients, which had a direct impact on lower volume of transaction carried out by XTB clients. As a consequence the transaction volume in CFD instruments amounted to 1 597,2 thousand lots, compared to 2 095,4 thousand lots a year earlier, while a profitability per lot increased by 8,7%, i.e. from PLN 138 in 2018 to PLN 150 in 2019 r

In the QIV of 2019, the revenues increased by 109,4% compared to QIV of 2018, i.e. PLN 46,8 million from PLN 42,8 million to 89,6 million. This change was caused by (i) a higher profitability per lot – increased by PLN 134 (from PLN 93 to PLN 227); (ii) a lower XTB clients transaction volume in CFD instruments in lots- decreased by 64 723 lots (from 458 869 to 394 146 lots).

	TWELVE-MONTH PERIOD ENDED						
	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Total operating income (in PLN'000)	239 323	288 301	273 767	250 576	282 542	204 434	215 559
Transaction volume in CFD instruments in lots <sup>1</sup>	1 597 218	2 095 412	2 196 558	2 015 655	2 443 302	1 986 639	1 947 679
Profitability per lot (in PLN) <sup>2</sup>	150	138	125	124	116	103	111

<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.

	THREE-MONTH PERIOD ENDED							
	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
Total operating income (in PLN'000)	89 590	60 952	47 891	40 890	42 786	47 578	84 200	113 737
Transaction volume in CFD instruments in lots <sup>1</sup>	394 146	423 333	385 318	394 421	458 869	345 118	616 082	675 344
Profitability per lot (in PLN) <sup>2</sup>	227	144	124	104	93	138	137	168

<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 number of active clients. In 2019 the Group reported a record number of new clients amounting to 36 555, compared to 20 672 a year earlier, i.e. an increase by 76,8%. This is the effect of continuing the optimized sales and marketing strategy and the gradual introduction of new products to the offer, such as CFDs based on sector indices, shares and ETFs and expansion into new geographic markets. On the other hand the average number of active clients was higher by 5 303 compared to 2018, i.e. 24,9%. The intention of the Management Board in 2020 is to further increase the client base. It also confirms the record number of new clients in January 2020, i.e. 4 480.



	PERIOD ENDED							
	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
New clients <sup>1</sup>	10 424	10 042	9 246	6 843	5 742	4 884	4 734	5 312
Average number of active clients <sup>2</sup>	26 582	25 171	23 688	22 245	21 279	21 515	22 135	22 317
New accounts <sup>3</sup>	26 747	24 424	22 215	16 243	13 930	11 758	11 321	12 731
Average number of active accounts <sup>4</sup>	29 099	27 544	25 932	24 386	23 656	24 032	24 918	25 279

<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 12, 9, 6 and 3 months of 2019 and 12, 9, 6 and 3 months of 2018.

<sup>3)</sup> The number of accounts opened by the Group's clients in the individual periods.

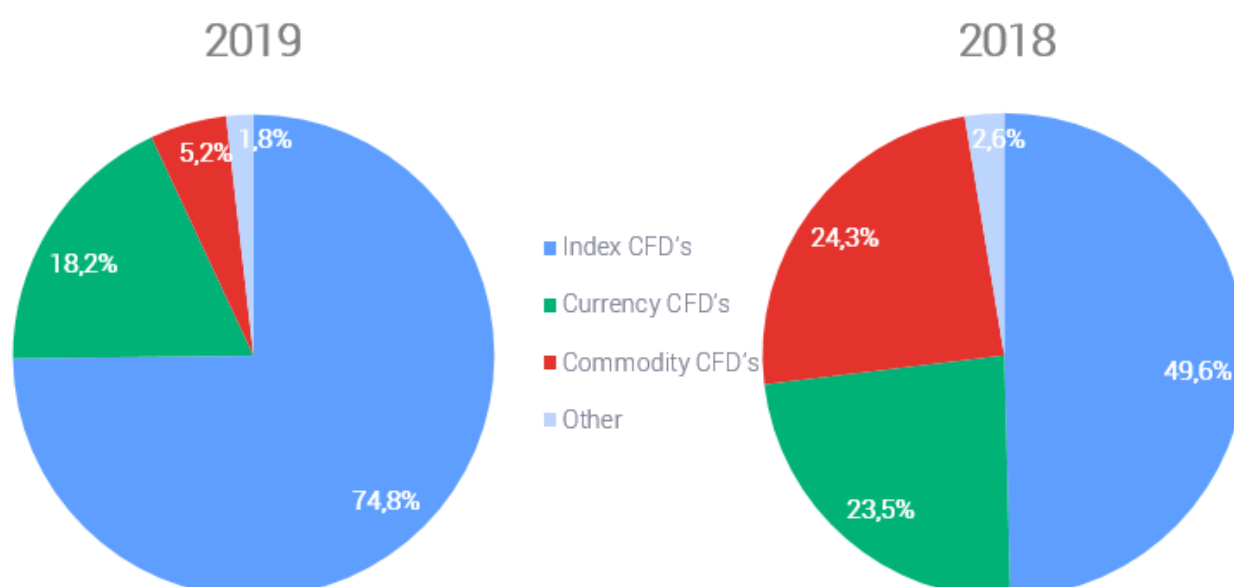
<sup>4)</sup> The average quarterly number of accounts respectively for 12, 9, 6 and 3 months of 2019 and 12, 9, 6 and 3 months of 2018.

XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2020 and subsequent years.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on index dominated. Their share in the structure of revenues on financial instruments in 2019 reached 74,8% against 49,6% a 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, US500. CFDs based on currency were the second most profitable asset class. Their share in the structure of revenues on financial instruments in 2019 reached 18,2% (2018: 23,5%). Among this asset class, instruments based on the EURUSD were the most popular. Revenues based on commodities amounted to 5,2% of all revenues, compared to 24,3% a year earlier.

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.

The structure of revenue by asset class (in %)





(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Index CFDs	80 584	32 910	175 116	141 924
Currency CFDs	6 163	(874)	42 624	67 192
Commodity CFDs	815	9 316	12 021	69 499
Stock CFDs	(56)	423	2 313	2 878
Bond CFDs	(296)	272	771	589
<b>Total CFDs</b>	<b>87 210</b>	<b>42 047</b>	<b>232 845</b>	<b>282 082</b>
Options	-	-	-	3 947
Shares and listed derivative instruments	531	87	1 199	99
<b>Gross gain on transactions in financial instruments</b>	<b>87 741</b>	<b>42 134</b>	<b>234 044</b>	<b>286 128</b>
Bonuses and discounts paid to costumers	(150)	(732)	(300)	(3 363)
Commission paid to cooperating brokers	286	(259)	(638)	(1 292)
<b>Net gain on transaction in financial instruments</b>	<b>87 877</b>	<b>41 143</b>	<b>233 106</b>	<b>281 473</b>

XTB places great importance on the geographical diversification of revenues. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 40,3% (2018: 25,2%) and 19,7% (2018: 14,7%). 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		TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
<b>Central and Eastern Europe</b>	<b>43 072</b>	<b>7 800</b>	<b>122 027</b>	<b>140 494</b>
- including Poland	35 029	(9 739)	96 452	72 525
<b>Western Europe</b>	<b>30 390</b>	<b>27 060</b>	<b>90 260</b>	<b>124 488</b>
- including Spain	14 706	6 689	47 140	42 360
<b>Latin America</b>	<b>16 128</b>	<b>7 926</b>	<b>27 036</b>	<b>23 319</b>
<b>Total operating income</b>	<b>89 590</b>	<b>42 786</b>	<b>239 323</b>	<b>288 301</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		TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Retail segment	80 164	39 355	218 476	269 486
Institutional segment (X Open Hub)	9 426	3 431	20 847	18 815
<b>Total operating income</b>	<b>89 590</b>	<b>42 786</b>	<b>239 323</b>	<b>288 301</b>



It should be noted that, similar as a retail segment, product intervention, introduced by relevant regulators on local markets of European Union countries, could affect the condition of the European institutional partners of XTB and thus the transaction volume in lots as well as the revenues of XTB from these clients. However, the Management Board cannot exclude that there will be an increase in volatility of institutional clients in the future.

## Expenses

Operating expenses in 2019 amounted to PLN 173,8 million and were similar in relation to the same period a year earlier (increased by PLN 1,4 million y/y). The most significant changes occurred in:

- costs of salaries and employee benefits, an increase of PLN 7,6 million related to new employment and severance payments paid;
- marketing costs, an increase of PLN 4,4 million due to higher expenditures on marketing online campaigns;
- costs of maintenance and lease of buildings, a decrease of PLN 4,7 million and thus an increase in depreciation costs by PLN 2,9 million, mainly due to a change in the recognition of lease rent costs since 2019, in connection with the entry into force of IFRS 16 Leasing;
- other costs, a decrease of PLN 9,8 million as a result of a one-off occurrence in the third quarter of 2018, which was the one-off event in the amount of PLN 9,9 million.

(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Salaries and employee benefits	24 136	19 681	86 034	78 478
Marketing	10 222	7 878	37 716	33 322
Other external services	7 396	6 575	24 494	24 909
Costs of maintenance and lease of buildings	742	1 954	3 158	7 815
Amortization and depreciation	1 845	794	6 878	3 931
Taxes and fees	833	505	2 914	2 340
Commission expenses	2 282	1 984	8 329	7 627
Other expenses	(181)	1 491	4 320	14 070
<b>Total operating expenses</b>	<b>47 275</b>	<b>40 862</b>	<b>173 843</b>	<b>172 492</b>

In q/q terms, operating costs increased by PLN 4,3 million, mainly due to higher by PLN 2,8 million costs of salaries and employee benefits (creation of a provision for variable remuneration elements) and higher by PLN 1,7 million other external services: 1) IT support services (increased by PLN 0,5 million q/q); 2) legal and advisory services (increased by PLN 0,4 million q/q) and 3) support database systems and market data delivery (increased by PLN 0,4 million q/q).

	THREE-MONTH PERIOD ENDED							
	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
Total operating income including: (in PLN'000)	47 275	42 980	42 490	41 098	40 862	48 837	41 750	41 043
- Marketing	10 222	8 735	9 581	9 178	7 878	8 669	8 976	7 799
New clients	10 424	10 042	9 246	6 843	5 742	4 884	4 734	5 312
Average number of active clients	30 815	28 136	25 131	22 245	20 568	20 277	21 952	22 317





The Management Board expects in 2020 operating expenses to be several percent higher comparable to that observed in 2019. The final level will depend on the rate of geographical expansion into new markets, the level of variable remuneration elements paid to employees, the level of marketing expenditures and the impact of product interventions and other external factors on the level of revenues generated by the Group.

## Development perspectives

The regulatory changes on the European market initiated by the product intervention of the ESMA has been changing the CFD market characteristics. This created both opportunities and threats for XTB. On the one hand, there is a drop in trade volumes among European brokers, including XTB. On the other hand, the Management Board of XTB is convinced of the business's vitality over a longer time horizon. A trend of consolidation process can be noticed on the market. This process should allowed XTB to strengthen its dominant position on the European market. Less influential brokers, unable to withstand regulatory pressure and strong competition from a very significant international brokers such as XTB, have been gradually disappearing from the market. Consequently large brokers have been noticing the client base growth.

XTB with its strong market position and dynamically growing client base enters the non-European markets. XTB is consequently implementing a strategy on building a global brand. In 2020 the Group aims to increase its European market penetration and continue with building its position in Latin America, Asia and Africa.