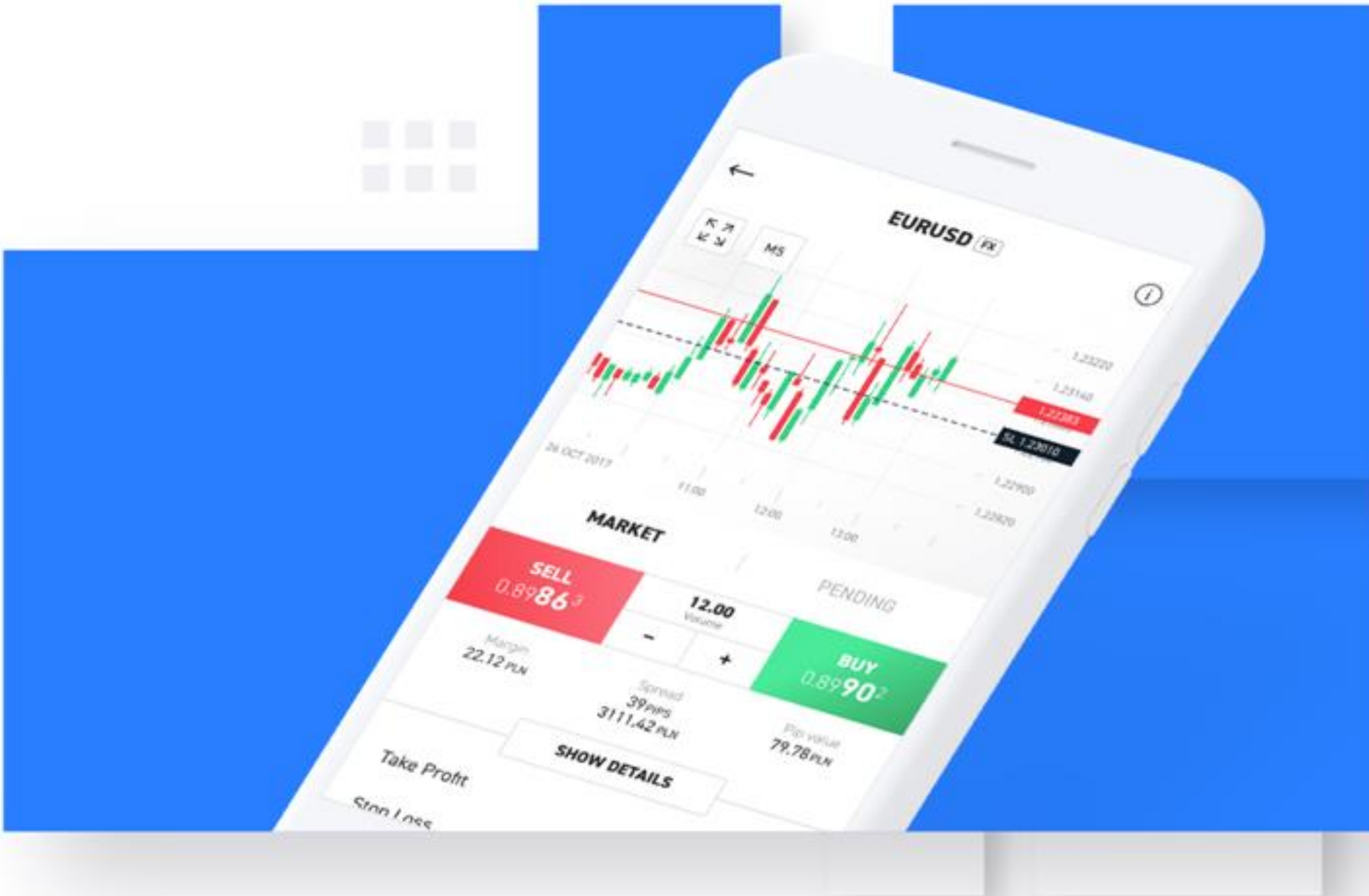

REPORT FOR THE 3RD QUARTER 2020

X-TRADE BROKERS DM S.A.

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FINANCIAL CONSOLIDATED HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 NINE-MONTH ENDED		IN EUR'000 NINE-MONTH ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Consolidated comprehensive income statement:				
Total operating income	657 788	149 733	148 084	34 752
Profit on operating activities	459 400	23 165	103 422	5 376
Profit before tax	441 623	28 353	99 420	6 581
Net profit	361 856	20 663	81 462	4 796
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	3,08	0,18	0,69	0,04
Consolidated cash flow statement:				
Net cash from operating activities	224 293	(8 980)	50 494	(2 084)
Net cash from investing activities	(2 548)	(2 140)	(574)	(497)
Net cash from financing activities	(31 712)	(23 104)	(7 139)	(5 362)
Increase/(Decrease) in net cash and cash equivalents	190 033	(34 224)	42 781	(7 943)

	IN PLN'000		IN EUR'000	
	30.09.2020	31.12.2019	30.09.2019	31.12.2019
Consolidated statement of financial position:				
Total assets	1 942 981	1 138 900	429 217	267 442
Total liabilities	1 096 391	648 156	242 200	152 203
Share capital	5 869	5 869	1 297	1 378
Equity	846 590	490 744	187 017	115 239
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	7,21	4,18	1,59	0,98

The above data was translated into EUR as follows:

- items in the consolidated comprehensive income statement and consolidated cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,4420;
  - for the comparative period: 4,3086;
- items of consolidated statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,5268;
  - for the comparative period: 4,2585.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)
Result of operations on financial instruments	6.1	138 648	59 792	654 046	145 229
Income from fees and charges	6.2	977	1 130	3 658	4 462
Other income		5	30	84	42
Total operating income	6	139 630	60 952	657 788	149 733
Salaries and employee benefits	7	(25 385)	(21 368)	(91 071)	(61 898)
Marketing	8	(17 870)	(8 735)	(56 870)	(27 494)
Other external services	9	(7 045)	(5 737)	(20 277)	(17 098)
Costs of maintenance and lease of buildings		(1 043)	(884)	(2 944)	(2 416)
Amortisation and depreciation	16,17	(1 832)	(1 795)	(5 647)	(5 033)
Taxes and fees		(1 026)	(551)	(2 418)	(2 081)
Commission expenses	10	(5 480)	(2 143)	(16 004)	(6 047)
Other costs		(457)	(1 767)	(3 157)	(4 501)
Total operating expenses		(60 138)	(42 980)	(198 388)	(126 568)
Profit (loss) on operating activities		79 492	17 972	459 400	23 165
Finance income	11	754	2 408	3 819	5 640
Finance costs	11	(839)	860	(21 596)	(452)
Profit (loss) before tax		79 407	21 240	441 623	28 353
Income tax	26	(11 010)	(5 733)	(79 767)	(7 690)
Net profit (loss)		68 397	15 507	361 856	20 663
Other comprehensive income		148	3 312	22 162	807
Items which were reclassified to profit (loss)		–	–	21 880	–
- foreign exchange differences on translation of foreign operations		–	–	*21 880*	–
Items which will be reclassified to profit (loss) after meeting specific conditions		148	3 312	282	807
- foreign exchange differences on translation of foreign operations		(279)	*2 418*	*(1 637)*	*341*
- foreign exchange differences on valuation of separated equity		527	*1 104*	*2 369*	*575*
- deferred income tax		(100)	*(210)*	*(450)*	*(109)*
Total comprehensive income		68 545	18 819	293 459	21 470
Net profit attributable to shareholders of the Parent Company		68 397	15 507	361 856	20 663
Total comprehensive income attributable to shareholders of the Parent Company		68 545	18 819	384 018	21 470
Earnings per share:					
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	25	0,58	0,14	3,08	0,18
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,58	0,14	3,08	0,18
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	25	0,58	0,14	3,08	0,18
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,58	0,14	3,08	0,18

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
ASSETS				
Cash and cash equivalents	13	1 484 076	955 196	918 003
Financial assets at fair value through P&L	14	416 363	149 318	148 919
Income tax receivables		2 604	71	2 550
Financial assets at amortized cost	15	10 061	6 474	6 906
Prepayments and deferred costs		7 128	4 073	5 829
Intangible assets	16	685	572	571
Property, plant and equipment	17	12 874	14 193	14 660
Deferred income tax assets	26.2	9 190	9 003	9 319
Total assets		1 942 981	1 138 900	1 106 757
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	18	963 967	573 792	576 859
Financial liabilities held for trading	19	54 848	23 529	20 135
Income tax liabilities		1 205	1 697	123
Liabilities due to lease	20	9 512	10 772	12 075
Other liabilities	21	39 884	19 676	18 600
Provisions for liabilities	22	4 078	3 129	3 300
Deferred income tax provision	26.2	22 897	15 561	18 994
Total liabilities		1 096 391	648 156	650 086
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	390 730	364 757	364 757
Foreign exchange differences on translation	23	(1 475)	(23 637)	(20 672)
Retained earnings		379 858	72 147	35 109
Equity attributable to the owners of the Parent Company		846 590	490 744	456 671
Total equity		846 590	490 744	456 671
Total equity and liabilities		1 942 981	1 138 900	1 106 757

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Interim condensed consolidated statement of changes in equity for the period from 1 January 2020 to 30 September 2020

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	24	
As at 1 January 2020	5 869	71 608	364 757	(23 637)	72 147	490 744
Total comprehensive income for the financial year						
Net profit	–	–	–	–	361 856	361 856
Foreign exchange differences on the translation of a subsidiary in Turkey	–	–	–	21 880	–	21 880
Other comprehensive income	–	–	–	282	–	282
Total comprehensive income for the financial year	–	–	–	22 162	361 856	384 018
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	25 973	–	(54 145)	(28 172)
- dividend payment	–	–	–	–	(28 172)	(28 172)
- transfer to other reserves	–	–	25 973	–	(25 973)	–
As at 30 September 2020 (unaudited)	5 869	71 608	390 730	(1 475)	379 858	846 590

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

Consolidated statement of changes in equity for the period from 1 January 2019 to 31 December 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	24	
As at 1 January 2019	5 869	71 608	334 898	(21 479)	64 260	455 156
Total comprehensive income for the financial year						
Net profit	–	–	–	–	57 701	57 701
Other comprehensive income	–	–	–	(2 158)	–	(2 158)
Total comprehensive income for the financial year	–	–	–	(2 158)	57 701	55 543
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	29 859	–	(49 814)	(19 955)
- dividend advance payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 31 December 2019 (audited)	5 869	71 608	364 757	(23 637)	72 147	490 744

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

Interim condensed consolidated statement of changes in equity for the period from 1 January 2019 to 30 September 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	24	
As at 1 January 2019	5 869	71 608	334 898	(21 479)	64 260	455 156
Total comprehensive income for the financial year						
Net profit	–	–	–	–	20 663	20 663
Other comprehensive income	–	–	–	807	–	807
Total comprehensive income for the financial year	–	–	–	807	20 663	21 470
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	29 859	–	(49 814)	(19 955)
- dividend payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 30 September 2019 (unaudited)	5 869	71 608	364 757	(20 672)	35 109	456 671

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		441 623	28 353
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		404	(22)
Amortization and depreciation	16,17	5 647	5 033
Foreign exchange (gains) losses from translation of own cash		(5 639)	(3 036)
Other adjustments	28.1	21 900	817
Changes			
Change in provisions		949	1 320
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(235 726)	(42 732)
Change in balance of restricted cash		(333 207)	(117 295)
Change in financial assets at amortised cost		(3 587)	(1 901)
Change in balance of prepayments and accruals		(3 055)	(2 780)
Change in balance of amounts due to customers		390 175	129 018
Change in balance of other liabilities		20 208	(5 144)
Cash from operating activities		299 692	(8 369)
Income tax paid		(75 643)	(918)
Interests		244	307
Net cash from operating activities		224 293	(8 980)
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		–	14
Expenses relating to payments for property, plant and equipment	17	(2 252)	(2 115)
Expenses relating to payments for intangible assets	16	(296)	(39)
Net cash from investing activities		(2 548)	(2 140)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(3 296)	(2 842)
Interest paid under lease		(244)	(307)
Dividend paid to owners		(28 172)	(19 955)
Net cash from financing activities		(31 712)	(23 104)
Increase (Decrease) in net cash and cash equivalents		190 033	(34 224)
Cash and cash equivalents – opening balance		484 351	467 987
Effect of FX rates fluctuations on balance of cash in foreign currencies		5 640	3 037
Cash and cash equivalents – closing balance	13	680 024	436 800

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

ADDITIONAL EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

X–Trade Brokers Dom Maklerski S.A. is entered in the Commercial Register of the National Court Register by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under No. KRS 0000217580. The Parent Company was granted a statistical REGON number and a tax identification (NIP) number 527–24–43–955.

The Parent Company's operations consist of conducting brokerage activities. The Parent Company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005, No. DDM–M–4021–57–1/2005.

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

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

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: RO27187343.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: DE266307947.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689 and was granted the following tax identification number FR61522758689.
- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register and as tax identification number under No. PT980436613.

1.2 Composition of the Group

The X–Trade Brokers Dom Maklerski S.A. Group is composed of X–Trade Brokers Dom Maklerski S.A. as the Parent Company and the following subsidiaries

NAME OF SUBSIDIARY	CONSOLIDATION METHOD	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
			30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
XTB Limited (UK)	Full	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	Full	Poland	100%	100%	100%
XTB Limited (CY)	Full	Cyprus	100%	100%	100%
Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş.	Full	Turkey	100%	100%	100%
XTB International Limited	Full	Belize	100%	100%	100%
XTB Chile SpA	Full	Chile	100%	100%	100%
XTB Services Limited	Full	Cyprus	100%	100%	100%
Lirsar S.A. en liquidacion	Full	Uruguay	100%	100%	100%
X Trading Technologies Sp. z o.o. in liquidation	Full	Poland	–	100%	100%
XTB Africa (PTY) Ltd.	Full	South Africa	100%	100%	100%
XTB Services Asia Pte. Ltd	Full	Singapore	–	100%	–

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

X Trade Brokers Menkul Değerler A.S. does not have an active license to operate from December 2019 and has started the process of capital redemption.

On 3 March 2020 general meeting of the company X Trade Brokers Menkul Değerler A.S. with its seat in Turkey took decision to reduce the company's share capital from TRY 22 500 thousand to TRY 100 thousand. Due to that fact in the first quarter of 2020 X- Trade Brokers Dom Maklerski S.A. Group reclassified part of foreign exchange differences arising from the translation in amount of PLN 21 880 thousand of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement.

On 12 March 2020 subsidiary changed its name to XTB Yönetim Danışmanlığı Anonim Şirketi.

On 30 September 2020, amount of negative foreign exchange differences on translation of balances in foreign currencies of Turkish company amounted PLN (3 065) thousand (ref note 23). Exchange differences will be recognized in consolidated financial statement at the date of liquidation of the company.

On 15 September 2020, the liquidation process of the company in Turkey has begun. The name of the company was changed to Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş.

XTB Limited was established on 19 April 2010 under the name Tyrolese (691) Limited. The company started its operating activities in November 2010 under a changed name – XTB UK Ltd. In 2012 it changed its name to X Financial Solutions Ltd, in 2013 to X Open Hub Limited, and on 8 January 2015 to XTB Limited. The company's results are consolidated under the full method from the date of its establishment.

On 6 March 2013, the Parent Company acquired 100% of the shares in xStore Sp. z o.o. with its registered office in Poland. In 2014, the company changed its name to X Open Hub Sp. z o.o. The company's results are consolidated under the full method from the date of its establishment.

On 15 October 2013 the Parent Company acquired 100% shares in DUB Investments Limited, with its registered office in Cyprus. The company's results are consolidated under the acquisition method as of the date of its acquisition. The fair value of the consideration paid was PLN 1 292 thousand.

As a result of the acquisition of DUB Investments Ltd, the Parent Company identified goodwill of PLN 783 thousand as the difference between the acquisition price and the fair value of the acquired assets. As at the acquisition date, the subsidiary was tested for impairment; as a result of the test the full value of goodwill was charged to costs as at that date.

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

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The company's results are consolidated under the acquisition method as of the date of its acquisition. In December 2017 Lirsar with its seat in Uruguay was liquidated. Subsidiary's share capital and retained earnings were transferred to Parent Company on 14 December 2017. The company has not been formally liquidated until the balance sheet date.

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

On the 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On the 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the Financial Service Commission. As a result of acquisition of 100% of shares the Parent Company took up control over the subsidiary. The fair value of the consideration paid was PLN 837 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method. As at the acquisition date particular net assets of the acquired company XTB International Limited were measured at fair value. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Belize market of PLN 261 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years. On 26 September 2019 the Company acquired 500 000 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital.

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

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

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

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The Parent Company owns 100% of shares in subsidiary. X Trading Technologies Sp. z o.o. provides activity concerning software. The company's results are consolidated under the full method from the date of its establishment. On 30 January 2018 the Parent Company took up 3 900 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 14 May 2018 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. The liquidation of the subsidiary will not have material impact to the Group's consolidated financial statements. The capital from the subsidiary was returned to the Company on 31 October 2019. At 10 January 2020 decision regarding deletion of X Trading Technologies sp. z o.o in liquidation from National Court Register was legalized.

On 10 July 2018 the Parent Company established XTB Africa (PTY) Ltd. with its seat in South Africa. The Parent Company owns 100% of shares in subsidiary. As at the date of publication of this report the company did not conduct any operating activities. On 14 October 2019 the Company acquired 100 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital. As at the date of these financial statements the company has not conduct its operations.

On 19 August 2019 the Company established XTB Services Asia Pte. Ltd. with its seat in Singapore in which it owns 100% of shares. As at the date of these financial statements the company has not conduct its operations On April 2020 the Parent Company has started liquidation of XTB Services Asia Pte. Ltd. with its seat in Singapore by Accounting and Corporate Regulatory Authority and on 23 September 2020 decision regarding deletion of XTB Services Asia Pte. Ltd from ACRA was legalized.

1.3 Composition of the Management Board

In the period covered by the interim condensed consolidated financial statements, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March 2017 appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Filip Kaczmarzyk	Board Member	10.01.2017	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Jakub Kubacki	Board Member	10.07.2018	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Andrzej Przybylski	Board Member	01.05.2019	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022

2. Basis for drafting the financial statements

2.1 Compliance statement

These interim condensed consolidated financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union.

The interim condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2020 to 30 September 2020 with comparative data for the period from 1 January 2019 to 30 September 2019 and as at 31 December 2019 cover the Parent Company's financial data and financial data of the subsidiaries comprising the "Group".

These interim condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities at fair value through P&L and financial instruments at fair value through other comprehensive income which are measured at fair value. The Group's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The interim condensed consolidated financial statements do not cover all information and disclosures required by the International Financial Reporting Standards accepted by the European Union ("IFRS") to be presented in annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group for the year 2019.

The interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 8 November 2020. Drafting these interim condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

The interim condensed consolidated financial statements were prepared based on the assumption that the Group would continue as a going concern in the foreseeable future. At the date of preparation of these condensed consolidated financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the Group companies' continued operations with the exception of subsidiaries Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. in Turkey described in note 1.2.

The Group companies maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The interim condensed consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with IFRS.

2.2 Functional currency and reporting currency

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

2.3 Comparability of data and consistency of the policies applied

Data presented in the interim condensed consolidated financial statements is comparable and prepared under the same principles for all periods covered by the interim condensed consolidated financial statements, except for changes described in note 2.5.

2.4 The impact of COVID-19 on the Company's results

In March 2020 the World Health Organization determined that COVID disease can be treated as a pandemic. Due to significant increase of this disease all over the world, countries take numerous action to limit or delay it's spread. Undertaken measures have increasing impact on global economy. This situation has influence on the above average volatility in the financial and commodity markets which resulted in high transaction activity of customers and converted to growth of Group's revenues and customer base

2.5 Changes in the accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2020.

- Amendments to IFRS 9 „Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform,
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Materiality,
- Amendments to references to Conceptual Framework included in International Financial Reporting Standards.

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

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

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

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2022.
- Amendments to IAS 1 — Presentation of Financial Statements" - Classification of Liabilities as Current or Non- Current- not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2022.

3. Professional judgement

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

Amortisation periods of intangible assets

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

3.1 Material estimates and valuations

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

3.2 Impairment of assets

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

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

Deferred income tax assets

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

Period for settlement of the deferred tax asset

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

Uncertainty related to tax settlements

Regulations concerning the tax on goods and services, corporate income tax and the burden of social insurance are subject to frequent changes. These frequent changes result in lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could be applied. The current regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies and companies.

Tax settlements and other areas of activity (for example, customs or foreign exchange) may be subject to inspection by control authorities that are entitled to impose high penalties and fines, and any additional tax liabilities resulting from inspections must be paid together with high interest. These conditions cause that tax risk in Poland is higher than in countries with more mature tax systems.

Consequently, the amounts reported and disclosed in the financial statements may change in the future as a result of a final decision of the tax audit.

On 15 July 2016 changes have been introduced to the Tax Code to take into account the provisions of the General Anti Avoidance Rules (GAAR). GAAR is to prevent the formation and use of artificial legal structures created in order to avoid payment of tax in Poland. GAAR defines tax avoidance operation as an action made primarily in order to achieve a tax advantage being in conflict with the subject and purpose of the provisions of the Tax Act. According to GAAR such activity does not result in the achievement of a tax advantage if the behaviour was artificial. Any occurrence of (i) unjustified sharing operations, (ii) the involvement of intermediaries, despite the lack of economic justification or business, (iii) the elements mutually terminating or compensating, and (iv) other actions with a similar effect to the aforementioned, may be treated as a condition of existence false operations covered by GAAR. The new regulations will require greater judgment when assessing the tax consequences of particular transactions.

GAAR clause should apply to transactions made after its entry into force and to the transactions that were carried out prior to the entry into force of the GAAR clause but for which the benefits have been achieved or are still. The implementation of these regulations will enable the Polish tax authorities to question legal arrangements and agreements carried out by the taxpayers, such as restructuring and group reorganization.

3.3 Fair value measurement

Information on estimates relative to fair value measurement is presented in note 33 – Risk management.

3.4 Other estimates

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

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

Provisions for disputes is determined individually based on the circumstances of a given case. The Company assesses the chance of winning particular case and consequently assesses the need of establishment of provision in case of a loss in relations to all court cases.

4. Adopted Accounting principles

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2019, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2020.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result on financial instruments

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Financial instruments (CFD)				
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 and ETF CFDs	4 112	1 207	8 512	2 369
Bond CFDs	54	404	192	1 067
Total CFDs	137 903	59 929	650 045	145 635
Stocks and ETFs	2 878	268	8 876	668
Gross gain on transactions in financial instruments	140 781	60 197	658 921	146 303
Bonuses and discounts paid to customers	(627)	(61)	(1 086)	(150)
Commission paid to cooperating brokers	(1 506)	(344)	(3 789)	(924)
Net gain on transactions in financial instruments	138 648	59 792	654 046	145 229

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

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

The Group's operating incomes is generated from: (i) spreads (the differences between the "offer" price and the "bid" price); (ii) net results (gains offset by losses) from Group's market making activities; (iii) fees and commissions charged by the Group to its clients; and (iv) swap points charged (being the amounts resulting from the difference between the notional forward rate and the spot rate of a given financial instrument).

6.2 Income from fees and charges

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Fees and charges from institutional clients	633	696	2 180	3 206
Fees and charges from retail clients	344	434	1 478	1 256
Total income from fees and charges	977	1 130	3 658	4 462

6.3 Geographical areas

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Operating income				
Central and Eastern Europe	59 449	34 252	316 574	78 955
- including Poland	*48 180*	*25 211*	*225 110*	*61 423*
Western Europe	54 550	22 934	270 082	59 870
- including Spain	*22 189*	*11 247*	*114 194*	*32 434*
Latin America and Turkey	25 630	3 766	71 132	10 908
Total operating income	139 629	60 952	657 788	149 733

The country from which the Group derives each time 15% and over of its revenue is Poland. The share of other countries in the structure of the Group's revenue by geographical area does not in any case exceed 15%. Due to the overall share in the Group's revenue, Poland and Spain were set apart for presentation purposes within the geographical area.

The Group breaks its revenue down into geographical area by country in which a given customer was acquired.

7. Salaries and employee benefits

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Salaries	(21 169)	(17 091)	(76 278)	(49 866)
Social insurance and other benefits	(3 433)	(2 839)	(12 519)	(8 721)
Employee benefits	(783)	(1 438)	(2 274)	(3 311)
Total salaries and employee benefits	(25 385)	(21 368)	(91 071)	(61 898)

8. Marketing

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Marketing online	(16 808)	(8 320)	(54 690)	(25 406)
Marketing offline	(1 062)	(415)	(2 170)	(2 077)
Competitions for clients	–	–	(10)	(11)
Total marketing expense	(17 870)	(8 735)	(56 870)	(27 494)

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

9. Other external services

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Support database systems	(2 676)	(1 837)	(6 956)	(5 406)
Market data delivery	(1 500)	(1 306)	(4 343)	(4 044)
Legal and advisory services	(886)	(1 487)	(3 277)	(3 234)
Internet and telecommunications	(605)	(671)	(1 967)	(1 911)
Accounting and audit services	(406)	(360)	(1 414)	(1 369)
IT support services	(596)	(40)	(1 182)	(401)
Recruitment	(86)	(70)	(327)	(211)
Postal and courier services	(41)	(38)	(224)	(125)
Translations	(9)	(3)	(69)	(63)
Other external services	(240)	(11)	(518)	(334)
Total other external services	(7 045)	(5 737)	(20 277)	(17 098)

10. Commission expenses

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Bank commissions	(4 764)	(1 508)	(13 281)	(3 925)
Stock exchange fees and charges	(551)	(547)	(2 388)	(1 875)
Commissions of foreign brokers	(165)	(88)	(335)	(247)
Total commission expenses	(5 480)	(2 143)	(16 004)	(6 047)

11. Finance income and costs

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Interest income				
Interest on own cash	34	1 346	873	4 171
Interest on clients' cash	–	213	619	563
Total interest income	34	1 559	1 492	4 734
Income on bonds	720	–	2 260	–
Foreign exchange gains	–	846	–	846
Other finance income	–	3	67	60
Total finance income	754	2 408	3 819	5 640

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Interest expense				
Interest paid to customers	(1)	(20)	(2)	(64)
Interest paid under lease agreements	(81)	(101)	(244)	(307)
Other interest	(30)	(37)	(42)	(67)
Total interest expense	(112)	(158)	(288)	(438)
Foreign exchange losses	(727)	1 030	(21 308)	–
Other finance costs	1	(12)	–	(14)
Total finance costs	(838)	860	(21 596)	(452)

Foreign exchange losses presented in 2020 result mainly from reduction the share capital of subsidiary in Turkey what is presented in note 1.2.

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

12. Segment information

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

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

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

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

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

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

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	128 734	9 914	138 648	138 648
CFDs				
Index CFDs	67 581	5 583	73 164	73 164
Commodity CFDs	29 470	2 796	32 266	32 266
Currency CFDs	27 534	773	28 307	28 307
Stock and ETF CFDs	3 396	716	4 112	4 112
Bond CFDs	8	46	54	54
Stocks and ETF	2 878	–	2 878	2 878
Bonuses and discounts paid to customers	(627)	–	(627)	(627)
Commission paid to cooperating brokers	(1 506)	–	(1 506)	(1 506)
Fee and commission income	344	633	977	977
Other income	5	–	5	5
Total operating income	129 083	10 547	139 630	139 630
Salaries and employee benefits	(25 076)	(309)	(25 385)	(25 385)
Marketing	(17 580)	(290)	(17 870)	(17 870)
Other external services	(6 795)	(250)	(7 045)	(7 045)
Cost of maintenance and lease of buildings	(1 035)	(8)	(1 043)	(1 043)
Amortization and depreciation	(1 811)	(21)	(1 832)	(1 832)
Taxes and fees	(1 019)	(7)	(1 026)	(1 026)
Commission expense	(5 436)	(44)	(5 480)	(5 480)
Other expenses	(482)	25	(457)	(457)
Total operating expenses	(59 234)	(904)	(60 138)	(60 138)
Operating profit	69 849	9 643	79 492	79 492
Finance income	–	–	–	754
Finance costs	–	–	–	(839)
Profit before tax	–	–	–	79 407
Income tax	–	–	–	(11 010)
Net profit	–	–	–	68 397

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	556 078	97 968	654 046	654 046
CFDs				
Index CFDs	277 618	48 364	325 982	325 982
Commodity CFDs	194 937	47 372	242 309	242 309
Currency CFDs	70 387	2 663	73 050	73 050
Stock and ETF CFDs	9 140	(628)	8 512	8 512
Bond CFDs	(5)	197	192	192
Stocks and ETF	8 876	–	8 876	8 876
Bonuses and discounts paid to customers	(1 086)	–	(1 086)	(1 086)
Commission paid to cooperating brokers	(3 789)	–	(3 789)	(3 789)
Fee and commission income	1 478	2 180	3 658	3 658
Other income	84	–	84	84
Total operating income	557 640	100 148	657 788	657 788
Salaries and employee benefits	(89 434)	(1 637)	(91 071)	(91 071)
Marketing	(56 178)	(692)	(56 870)	(56 870)
Other external services	(19 834)	(443)	(20 277)	(20 277)
Cost of maintenance and lease of buildings	(2 919)	(25)	(2 944)	(2 944)
Amortization and depreciation	(5 581)	(66)	(5 647)	(5 647)
Taxes and fees	(2 390)	(28)	(2 418)	(2 418)
Commission expense	(15 893)	(111)	(16 004)	(16 004)
Other expenses	(3 051)	(106)	(3 157)	(3 157)
Total operating expenses	(195 280)	(3 108)	(198 388)	(198 388)
Operating profit	362 360	97 040	459 400	459 400
Finance income	–	–	–	3 819
Finance costs	–	–	–	(21 596)
Profit before tax	–	–	–	441 623
Income tax	–	–	–	(79 767)
Net profit	–	–	–	361 856

ASSETS AND LIABILITIES AS AT 30.09.2020 (UNAUDITED) (IN PLN'000)	**RETAIL OPERATIONS**	**INSTITUTIONAL OPERATIONS**	**TOTAL REPORTING SEGMENTS**	**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
Clients' cash and cash equivalents	759 804	44 248	804 052	804 052
Financial assets at fair value through P&L	403 244	13 119	416 363	416 363
Other assets	722 304	262	722 566	722 566
Total assets	1 885 352	57 629	1 942 981	1 942 981
Amounts due to clients	919 711	44 256	963 967	963 967
Financial liabilities held for trading	49 290	5 558	54 848	54 848
Other liabilities	77 575	1	77 576	77 576
Total liabilities	1 046 576	49 815	1 096 391	1 096 391

ASSETS AND LIABILITIES AS AT 31.12.2019 (AUDITED) (IN PLN'000)	**RETAIL OPERATIONS**	**INSTITUTIONAL OPERATIONS**	**TOTAL REPORTING SEGMENTS**	**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
Customers' cash and cash equivalents	436 417	34 428	470 845	470 845
Financial assets at fair value through P&L	137 343	11 975	149 318	149 318
Other assets	518 464	273	518 737	518 737
Total assets	1 092 224	46 676	1 138 900	1 138 900
Amounts due to customers	532 822	40 970	573 792	573 792
Financial liabilities held for trading	18 071	5 458	23 529	23 529
Other liabilities	50 835	–	50 835	50 835
Total liabilities	601 728	46 428	648 156	648 156

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Net result on transactions in financial instruments	59 697	95	59 792	59 792
CFDs				
Currency CFDs	31 305	(180)	31 125	31 125
Index CFDs	21 295	642	21 937	21 937
Commodity CFDs	6 576	(1 320)	5 256	5 256
Stock and ETF CFDs	433	774	1 207	1 207
Bond CFDs	225	179	404	404
Shares and listed derivative instruments	268	–	268	268
Bonuses and discounts paid to clients	(61)	–	(61)	(61)
Commissions paid to cooperating brokers	(344)	–	(344)	(344)
Fee and commission income	434	696	1 130	1 130
Other income	30	–	30	30
Total operating income	60 161	791	60 952	60 952
Salaries and employee benefits	(20 917)	(451)	(21 368)	(21 368)
Marketing expense	(8 592)	(143)	(8 735)	(8 735)
Other external services	(5 401)	(336)	(5 737)	(5 737)
Cost of maintenance and lease of buildings	(876)	(8)	(884)	(884)
Amortization and depreciation	(1 770)	(25)	(1 795)	(1 795)
Taxes and fees	(537)	(14)	(551)	(551)
Commission expense	(2 122)	(21)	(2 143)	(2 143)
Other expenses	(1 764)	(3)	(1 767)	(1 767)
Total operating expenses	(41 979)	(1 001)	(42 980)	(42 980)
Operating profit	18 182	(210)	17 972	17 972
Finance income	–	–	–	2 408
Finance costs	–	–	–	860
Profit before tax	–	–	–	21 240
Income tax	–	–	–	(5 733)
Net profit	–	–	–	15 507

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Net result on transactions in financial instruments	137 014	8 215	145 229	145 229
CFDs				
Index CFDs	83 576	10 956	94 532	94 532
Currency CFDs	39 827	(3 366)	36 461	36 461
Commodity CFDs	11 803	(597)	11 206	11 206
Stock and ETF CFDs	1 599	770	2 369	2 369
Bond CFDs	615	452	1 067	1 067
Shares and listed derivative instruments	668	–	668	668
Bonuses and discounts paid to clients	(150)	–	(150)	(150)
Commissions paid to cooperating brokers	(924)	–	(924)	(924)
Fee and commission income	1 256	3 206	4 462	4 462
Other income	42	–	42	42
Total operating income	138 312	11 421	149 733	149 733
Salaries and employee benefits	(60 643)	(1 255)	(61 898)	(61 898)
Marketing expense	(27 056)	(438)	(27 494)	(27 494)
Other external services	(16 021)	(1 077)	(17 098)	(17 098)
Cost of maintenance and lease of buildings	(2 392)	(24)	(2 416)	(2 416)
Amortization and depreciation	(4 963)	(70)	(5 033)	(5 033)
Taxes and fees	(2 059)	(22)	(2 081)	(2 081)
Commission expense	(5 987)	(60)	(6 047)	(6 047)
Other expenses	(4 293)	(208)	(4 501)	(4 501)
Total operating expenses	(123 414)	(3 154)	(126 568)	(126 568)
Operating profit (loss)	14 898	8 267	23 165	23 165
Finance income	–	–	–	5 640
Finance costs	–	–	–	(452)
Profit before tax	–	–	–	28 353
Income tax	–	–	–	(7 690)
Net profit	–	–	–	20 663

ASSETS AND LIABILITIES AS AT 30.09.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	439 430	41 773	481 203	481 203
Financial assets at fair value through P&L	138 138	10 781	148 919	148 919
Other assets	476 311	324	476 635	476 635
Total assets	1 053 879	52 878	1 106 757	1 106 757
Amounts due to customers	533 891	42 968	576 859	576 859
Financial liabilities held for trading	16 215	3 920	20 135	20 135
Other liabilities	53 092	–	53 092	53 092
Total liabilities	603 198	46 888	650 086	650 086

13. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
In hand	1	1	1
In current bank accounts	1 484 075	955 195	918 002
Cash and cash equivalents in total	1 484 076	955 196	918 003

Restricted own and customers' cash

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Customers' cash and cash equivalents	804 052	470 845	481 203
Own cash and cash equivalents	680 024	484 351	436 800
Cash and cash equivalents in total	1 484 076	955 196	918 003

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

Due to the low level of interest rates, which do not encourage holding deposits in banks, XTB decides to locate part of cash into financial instruments with a 0% risk weight (treasury bonds and bonds guaranteed by the State Treasury) (see note 14).

14. Financial assets at fair value through P&L

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Index CFDs			
Commodity CFDs	92 885	78 039	64 938
Stock and ETF CFDs	47 118	18 424	22 557
Currency CFDs	38 084	10 744	12 061
Bond CFDs	28 544	22 852	29 855
Index CFDs	39	29	210
Debt instruments	200 635	14 899	14 895
Stocks and ETF	9 058	4 331	4 403
Total financial assets at fair value through P&L	416 363	149 318	148 919

The Company invests part of funds in financial instruments with 0% risk weight (treasury bonds and bonds guaranteed by State Treasury). At 30 September 2020 the total value of purchased bonds was 200,6 million PLN, at 31 December 2019: 14,9 million PLN and 30 September 2019: 14,9 million PLN.

Detailed information on the estimated fair value of the instrument is presented in note 33.1.1.

15. Financial assets at amortised cost

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Gross amounts due from clients	4 059	3 414	3 527
Impairment write-downs of receivables	(3 768)	(3 197)	(3 228)
Total amounts due from clients	291	217	299
Trade receivables	6 644	3 975	4 030
Deposits	2 603	1 865	1 910
Statutory receivables	1 622	1 271	1 551
Impairment write-downs of receivables	(1 099)	(854)	(884)
Total financial assets at amortised cost	10 061	6 474	6 906

Movements in impairment write-downs of receivables

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(4 052)	(3 624)	(3 624)
Write-downs recorded	(850)	(847)	(723)
Write-downs reversed	36	426	271
Write-downs utilized	(1)	(6)	(36)
Impairment write-downs of receivables – at the end of the reporting period	(4 867)	(4 051)	(4 112)

Write-downs of receivables in 2020 and 2019 resulted from the debit balances which arose in clients' accounts in those periods.

16. Intangible assets

Intangible assets in the period from 1 January 2020 to 30 September 2020 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2020	5 654	10 792	4 814	21 260
Additions	296	–	–	296
Sale and scrapping	(36)	–	–	(36)
Net foreign exchange differences	(17)	–	–	(17)
Gross value as at 30 September 2020	5 654	10 792	4 814	21 260
Accumulated amortization as at 1 January 2020	(5 265)	(10 792)	(4 631)	(20 688)
Amortization for the current period	(163)	–	(19)	(182)
Sale and scrapping	36	–	–	36
Net foreign exchange differences	16	–	–	16
Accumulated amortization as at 30 September 2020	(5 376)	(10 792)	(4 650)	(20 818)
Net book value as at 1 January 2020	389	–	183	572
Net book value as at 30 September 2020	521	–	164	685

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

Intangible assets in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2019	5 568	10 792	4 814	21 174
Additions	99	–	–	99
Sale and scrapping	–	–	–	–
Net foreign exchange differences	(13)	–	–	(13)
Gross value as at 31 December 2019	5 654	10 792	4 814	21 260
Accumulated amortization as at 1 January 2019	(5 061)	(10 792)	(4 605)	(20 458)
Amortization for the current period	(215)	–	(26)	(241)
Sale and scrapping	–	–	–	–
Net foreign exchange differences	11	–	–	11
Accumulated amortization as at 31 December 2019	(5 265)	(10 792)	(4 631)	(20 688)
Net book value as at 1 January 2019	507	–	209	716
Net book value as at 31 December 2019	389	–	183	572

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

Intangible assets in the period from 1 January 2019 to 30 September 2019 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2019	5 568	10 792	4 814	21 174
Additions	39	–	–	39
Sale and scrapping	–	–	–	–
Net foreign exchange differences	10	–	–	10
Gross value as at 30 September 2019	5 617	10 792	4 814	21 223
Accumulated amortization as at 1 January 2019	(5 061)	(10 792)	(4 605)	(20 458)
Amortization for the current period	(164)	–	(19)	(183)
Sale and scrapping	–	–	–	–
Net foreign exchange differences	(11)	–	–	(11)
Accumulated amortization as at 30 September 2019	(5 236)	(10 792)	(4 624)	(20 652)
Net book value as at 1 January 2019	507	–	209	716
Net book value as at 30 September 2019	381	–	190	571

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

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2020 to 30 September 2020 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2020	11 935	7 049	14 586	334	117	34 021
Additions	2 161	187	–	–	(96)	2 252
Lease	–	–	2 032	3	–	2 035
Sale and scrapping	(11)	–	(1 414)	–	–	(1 425)
Net foreign exchange differences	14	102	351	13	–	480
Gross value as at 30 September 2020	14 099	7 338	15 555	350	21	37 363
Accumulated amortization as at 1 January 2020	(9 926)	(5 342)	(4 456)	(104)	–	(19 828)
Amortization for the current period	(1 676)	(909)	(2 840)	(40)	–	(5 465)
Sale and scrapping	11	–	1 010	–	–	1 021
Net foreign exchange differences	(15)	(101)	(96)	(5)	–	(217)
Accumulated amortization as at 30 September 2020	(11 606)	(6 352)	(6 382)	(149)	–	(24 489)
Net book value as at 1 January 2020	2 009	1 707	10 130	230	117	14 193
Net book value as at 30 September 2020	2 493	986	9 173	201	21	12 874

Property, plant and equipment in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	10 140	6 200	–	–	19	16 359
Lease at 1 January 2019	–	–	13 063	334	–	13 397
Additions	2 192	906	–	–	98	3 196
Lease	–	–	1 523	–	–	1 523
Sale and scrapping	(361)	(41)	–	–	–	(402)
Net foreign exchange differences	(36)	(16)	–	–	–	(52)
Gross value as at 31 December 2019	11 935	7 049	14 586	334	117	34 021
Accumulated amortization as at 1 January 2019	(8 738)	(5 104)	–	–	–	(13 842)
Amortization for the current period	(1 603)	(317)	(4 487)	(105)	–	(6 512)
Sale and scrapping	383	66	–	–	–	449
Net foreign exchange differences	32	13	31	1	–	77
Accumulated amortization as at 31 December 2019	(9 926)	(5 342)	(4 456)	(104)	–	(19 828)
Net book value as at 1 January 2019	1 402	1 096	–	–	19	2 517
Net book value as at 31 December 2019	2 009	1 707	10 130	230	117	14 193

Property, plant and equipment in the period from 1 January 2019 to 30 September 2019 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	10 140	6 200	–	–	19	16 359
Leasing (application of IFRS 16)	–	–	14 621	258	–	14 879
Gross value as at 1 January 2019 with the impact of new standards	10 140	6 200	14 621	258	19	31 238
Additions	1 585	136	–	–	398	2 119
Sale and scrapping	(362)	(184)	–	–	–	(546)
Net foreign exchange differences	30	49	–	–	–	79
Gross value as at 30 September 2019	11 393	6 201	14 621	258	417	32 890
Accumulated amortization as at 1 January 2019	(8 738)	(5 104)	–	–	–	(13 842)
Amortization for the current period	(1 276)	(209)	(3 313)	(52)	–	(4 850)
Sale and scrapping	362	188	–	–	–	550
Net foreign exchange differences	(25)	(42)	(20)	(1)	–	(88)
Accumulated amortization as at 30 September 2019	(9 677)	(5 167)	(3 333)	(53)	–	(18 230)
Net book value as at 1 January 2019	1 402	1 096	–	–	19	2 517
Net book value as at 30 September 2019	1 716	1 034	11 288	205	417	14 660

Non-current assets by geographical area

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	7 084	9 005	8 893
- including Poland	*6 069*	*7 702*	*7 545*
Western Europe	5 237	5 116	5 526
- including Spain	*822*	*366*	*487*
Latin America and Turkey	1 238	644	812
Total non-current assets	13 559	14 765	15 231

18. Amounts due to customers

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Amounts due to retail customers	919 711	532 822	533 978
Amounts due to institutional customers	44 256	40 970	42 881
Total amounts due to customers	963 967	573 792	576 859

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

19. Financial liabilities held for trading

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Financial instruments (CFD)			
Index CFDs	17 459	12 720	8 993
Stock and ETF CFDs	16 863	3 807	3 892
Commodity CFDs	16 563	3 900	3 399
Currency CFDs	3 960	2 979	3 808
Bond CFDs	3	123	43
Total financial liabilities held for trading	54 848	23 529	20 135

20. Liabilities due to lease

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Short-term	4 459	4 323	4 651
Long-term	5 053	6 449	7 424
Total liabilities due to lease	9 512	10 772	12 075

The Company is the lessee in the case of office space and car rental contracts. The value of the leased assets is reported in note 17.

21. Other liabilities

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Provisions for other employee benefits	24 556	10 295	7 663
Trade liabilities	9 712	5 546	6 576
Statutory liabilities	3 636	2 563	3 373
Liabilities due to brokers	1 400	768	440
Liabilities due to employees	410	362	403
Amounts due to the Central Securities Depository of Poland	170	142	145
Total other liabilities	39 884	19 676	18 600

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

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

Program of variable remuneration elements

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

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

As at 30 September 2020, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 3 931 thousand, as at 31 December 2019 in the amount of PLN 1 756 thousand and as at 30 September 2019 in the amount of PLN 735 thousand.

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Provisions for retirement benefits	1 345	1 184	1 239
Provisions for legal risk	2 733	1 945	2 061
Total provisions	4 078	3 129	3 300

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

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Group is a party. As at the date of preparation of these the interim condensed consolidated financial statements, the Company is not able to specify when the above liabilities will be repaid. The information on the significant court proceedings, arbitration authority or public administration authority was described in point 5.5 of the Management Board report on the operations of the Group and Company. To the best of our knowledge and belief, the procedures described therein and the future resolution of these proceedings in the context of a possible impact on other clients of the Group do not have a material impact on these the interim condensed consolidated financial statements.

Movements in provisions in the period from 1 January 2020 to 30 September 2020 (audited)

(IN PLN'000)	AS AT 01.01.2020	INCREASES	DECREASES		AS AT 30.09.2020
			USE	REVERSAL	
Provisions for retirement benefits	1 184	161	–	–	1 345
Provisions for legal risk	1 945	986	–	199	2 732
Total provisions	3 129	1 147	–	199	4 077

Movements in provisions in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	AS AT 01.01.2019	INCREASES	DECREASES		AS AT 31.12.2020
			USE	REVERSAL	
Provisions for retirement benefits	1 055	129	–	–	1 184
Provisions for legal risk	925	1 611	131	460	1 945
Total provisions	1 980	1 740	131	460	3 129

Movements in provisions in the period from 1 January 2019 to 30 September 2019 (audited)

(IN PLN'000)	AS AT 01.01.2019	INCREASES	DECREASES USE	DECREASES REVERSAL	AS AT 30.09.2019
Provisions for retirement benefits	1 055	184	–	–	1 239
Provisions for legal risk	925	2 800	730	934	2 061
Total provisions	1 980	2 984	730	934	3 300

22.2 Contingent liabilities

The Group is party to court proceedings associated with the Group's operations. The proceedings in which the Group acts as defendant relate mainly to employees' and clients' claims. As at 30 September 2020 the total value of claims brought against the Group amounted to approx. PLN 7 131 thousand (as at 31 December 2019: PLN 7 626 thousand, as at 30 September 2019: PLN 879 thousand). Group has not created provisions for the above proceedings. In the assessment of the Group the probability of loss in these proceedings is less than 50%.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 58 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 424 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension.

23. Equity

Share capital structure as at 30 September 2020, 31 December 2019 and 30 September 2019

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

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

Shareholding structure of the Company

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 30 September 2020 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Other shareholders	38 753 841	1 937	33,01%
Total	117 383 635	5 869	100,00%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 December 2019 and 30 September 2019 was as follows:

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

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital in the amount of PLN 364 757 thousand, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN (1 475) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	675	326	473
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	394	429	486
XTB Limited CY	349	(92)	96
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	347	17	153
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	284	282	281
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	192	(37)	58
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	101	7	46
XTB Services Limited	70	-	22
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	61	4	28
XTB International	(41)	(76)	199
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(83)	29	(114)
XTB Africa	(93)	71	(14)
XTB Chile SpA	(238)	(207)	(69)
XTB Limited UK	(428)	(331)	(476)
Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş.	(3 065)	(24 059)	(21 841)
Total foreign exchange differences on translation	(1 475)	(23 637)	(20 672)

24. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2019 in the amount of PLN 54 145 thousand was partially earmarked for the payment of a dividend in the amount of PLN 28 172 thousand, the remaining amount was transferred to reserve capital.

The amount of dividend per share paid for 2019 was equal to PLN 0,24. The dividend paid on 15 May 2020 amounted to PLN.

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2018 in the amount of PLN 90 898 thousand was partially earmarked for the payment of a dividend in the amount of PLN 61 039 thousand, the remaining amount was transferred to reserve capital.

The amount of dividend per share paid for 2018 was equal to PLN 0,52. The dividend was paid with an advance towards the dividend advance payment paid December 2018 in the amount of PLN 41 084 thousand (PLN 0,35 per share). The dividend paid on 10 May 2019 amounted to PLN 19 955 thousand (PLN 0,17 per share).

25. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Group uses the amount of net profit attributable to shareholders of the Group as the numerator, i.e., there is no dilutive effect influencing the amount of profit (loss). The calculation of basic and diluted earnings per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

(IN PLN'000)	THREE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	68 397	15 507	361 856	20 663
Weighted average number of ordinary shares	117 383 635	117 383 635	117 383 635	117 383 635
Weighted average number of shares including dilution effect	–	–	–	–
Profit from continuing operations attributable to shareholders of the Company	117 383 635	117 383 635	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	0,58	0,14	3,08	0,18
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,58	0,14	3,08	0,18

26. Current tax and deferred income tax

26.1 Income tax

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)
Income tax – current portion				
Income tax for the reporting period	(3 052)	(1 016)	(73 068)	(1 460)
Income tax – deferred portion				
Occurrence / reversal of temporary differences	(7 958)	(4 717)	(6 699)	(6 230)
Income tax disclosed in profit and loss	(11 010)	(5 733)	(79 767)	(7 690)

Reconciliation of the actual tax burden

(IN PLN'000)	THREE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)
Profit before tax	79 407	21 240	441 623	28 353
Income tax based in the applicable tax rate of 19%	(15 087)	(4 036)	(83 908)	(5 387)
Difference resulting from application of tax rates applicable in other countries	165	30	220	82
Non-taxable revenue	230	–	263	12
Non-deductible expenses	(196)	(411)	(681)	(480)
Tax loss for the reporting period not disclosed in the deferred tax	–	(1 030)	–	(1 198)
Realisation of tax losses for the preceding periods	5	5	42	25
Activate tax losses of previous periods/Writing off tax losses activated in previous years	–	1	–	(102)
Other items affecting the tax burden amount	3 873	(292)	4 297	(642)
Income tax disclosed in profit or loss	(11 010)	(5 733)	(79 767)	(7 690)

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 September 2020 (unaudited)

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 30.09.2020
Deferred income tax assets:			
Property, plant and equipment	81	66	147
Financial liabilities held for trading	3 809	4 133	7 942
Provisions for liabilities	24	–	24
Prepayments and deferred costs	1 551	1 612	3 163
Other liabilities	1 829	(1)	1 828
Tax losses of previous periods to be settled in future periods	8 916	99	9 015
Total deferred income tax assets	16 210	5 909	22 119

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 30.09.2020
Deferred income tax provision:			
Cash and cash equivalents	–	6	6
Financial assets at fair value through P&L	22 325	12 576	34 901
Other liabilities	93	(93)	–
Financial assets at amortised cost	237	119	356
Total deferred income tax provision	22 655	12 608	35 263
Deferred tax disclosed in profit or (loss)	–	(6 699)	–

(IN PLN'000)	AS AT 01.01.2020	INCLUDED IN EQUITY	AS AT 30.09.2020
Deferred income tax provision included directly in the equity:			
Separate equity of branches	113	450	563
Total deferred income tax provision included directly in the equity	113	450	563

Change in the balance of deferred tax for the period from 1 January to 31 December 2019 (audited)

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.12.2019
Deferred income tax assets:			
Property, plant and equipment	83	(2)	81
Financial liabilities held for trading	5 001	(1 192)	3 809
Provisions for liabilities	506	(482)	24
Prepayments and deferred costs	1 412	139	1 551
Other liabilities	20	1 809	1 829
Tax losses of previous periods to be settled in future periods	9 271	(355)	8 916
Total deferred income tax assets	16 293	(83)	16 210

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.12.2019
Deferred income tax provision:			
Financial assets at fair value through P&L	19 235	3 090	22 325
Other liabilities	–	93	93
Financial assets at amortised cost	142	95	237
Prepayments and deferred costs	16	(16)	–
Total deferred income tax provision	19 393	3 262	22 655
Deferred tax disclosed in profit or (loss)	–	(3 345)	–

(IN PLN'000)	AS AT 01.01.2019	INCLUDED IN EQUITY	AS AT 31.12.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	(99)	113
Total deferred income tax provision included directly in the equity	212	(99)	113

Change in the balance of deferred tax for the period from 1 January to 30 September 2019 (unaudited)

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 30.09.2019
Deferred income tax assets:			
Property, plant and equipment	83	(18)	65
Financial liabilities held for trading	5 001	(1 724)	3 277
Provisions for liabilities	506	(203)	303
Prepayments and deferred costs	1 412	(526)	886
Other liabilities	20	21	41
Tax losses of previous periods to be settled in future periods	9 271	(113)	9 158
Total deferred income tax assets	16 293	(2 563)	13 730

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 30.09.2019
Deferred income tax provision:			
Cash and cash equivalents	–	16	16
Financial assets at fair value through P&L	19 235	3 549	22 784
Financial assets at amortised cost	142	118	260
Prepayments and deferred costs	16	(16)	–
Total deferred income tax provision	19 393	3 667	23 060
Deferred tax disclosed in profit or (loss)	–	(6 230)	–

(IN PLN'000)	AS AT 01.01.2019	INCLUDED IN EQUITY	AS AT 30.09.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	133	345
Total deferred income tax provision included directly in the equity	212	133	345

Geographical division of deferred income tax assets

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Central and Eastern Europe	157	57	91
Western Europe	9 033	8 935	9 179
Latin America and Turkey	–	11	49
Total deferred income tax assets	9 190	9 003	9 319

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 September 2020 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	12 621	35 464	–	22 843
Czech Republic	62	–	62	–
Slovakia	102	6	96	–
Germany	2 752	–	2 752	–
France	4 625	–	4 625	–
Great Britain	1 655	–	1 655	–
Chile	302	356		54
Total	22 119	35 826	9 190	22 897

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 December 2019 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	6 969	22 530	–	15 561
Czech Republic	29	–	29	–
Slovakia	28	–	28	–
Germany	2 683	–	2 683	–
France	4 449	–	4 449	–
Great Britain	1 803	–	1 803	–
Chile	249	238	11	–
Total	16 210	22 768	9 003	15 561

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 September 2019 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	4 175	23 129	–	18 954
Czech Republic	49	–	49	–
Slovakia	58	16	42	–
Germany	2 786	–	2 786	–
France	4 603	–	4 603	–
Great Britain	1 790	–	1 790	–
Turkey	49	–	49	–
Chile	220	260	–	40
Total	13 730	23 405	9 319	18 994

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As per Company's best knowledge as at 30 September 2020 it holds 66,99% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

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

27.2 Figures concerning related party transactions

As at 30 September 2020 the Parent Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 13 thousand due to his investment account (as at 31 December 2019 the Company had liabilities in the amount of PLN 1 thousand, as at 30 September 2019 the Parent Company had liabilities in the amount of PLN 1 thousand). In the period from 1 January to 30 September 2020 the Parent Company has not noted profit or loss from the transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 30 September 2020 the paid gross salary and bonuses amounted to PLN 1 175 thousand and in the analogical period of 2018 amounted to PLN 1 354 thousand.

27.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Benefits to the Management Board members	(601)	(505)	(2 990)	(2 267)
Benefits to the Supervisory Board members	(63)	(63)	(192)	(190)
Total benefits to the Management Board and Supervisory Board	(664)	(568)	(3 182)	(2 457)

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

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 21 of the interim condensed consolidated financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 3 931 thousand.

27.4 Loans granted to the Management Board and Supervisory Board

As at 30 September 2020, 31 December 2019 and 30 September 2019 there are no loans granted to the Management and Supervisory Board members.

28. Supplementary information and explanations to the cash flow statement

28.1 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	NINE-MONTH PERIOD ENDED	
	30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	22 162	807
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(262)	10
Change in other adjustments	21 900	817

Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of the gross value of tangible and intangible assets in the Group's foreign entities and the difference between the rate applied to value amortization and depreciation cost of fixed assets and intangible assets in the Group's foreign entities and the rate of translation of amortization and depreciation amounts on such assets. This value results from the chart of movements in tangible and intangible assets

29. Post balance sheet events

There were no events after the balance sheet date.

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Index CFDs	1 946 180	2 136 475	1 984 790
Currency CFDs	1 220 703	1 921 898	1 830 823
Commodity CFDs	920 235	515 599	477 999
Stock and ETF CFDs	644 944	235 037	154 104
Bond CFDs	197 605	23 896	14 604
Bonds	193 667	14 500	14 895
Stock and ETF	8 979	4 229	4 290
Total financial instruments	5 132 313	4 851 634	4 481 505

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 September 2020 transactions with brokers represent 8% of the total nominal value of instruments (as at 31 December 2019: 9% of the total nominal value of instruments, as at 30 September 2019: 7% of the total nominal value of instruments).

30.2 Customers' financial instruments

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

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	477 113	135 238	108 978
Other securities registered in customers' securities accounts	207	207	207
Total customers' financial instruments	477 320	135 445	109 185

30.3 Transaction limits

Unused transaction limits granted:

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Institutional clients	11 056	4 918	–
Total unused transaction limits granted	11 056	4 918	–

31. Items regarding the compensation scheme

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	4 709	3 987	3 987
- increases	*690*	*722*	*533*
b) closing balance	5 399	4 709	4 520
2. XTB's share in the profits from the compensation scheme	329	317	284

32. Capital management

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

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

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

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

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

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

The principles of calculation of own funds are established in the CRR resolution, "The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A." and are not regulated by IFRS.

The Parent Company calculated equity in accordance with part two of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR"). At present, the total equity of the Group belongs to the highest category – Tier 1.

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

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

Key values in capital management:

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
The Group's own funds	451 832	408 570	408 230
Tier I Capital	451 832	408 570	408 230
Common Equity Tier I capital	451 832	408 570	408 230
Total Group's risk exposure	2 667 033	2 563 461	3 019 440
Capital conservation buffer	66 676	64 087	75 486
Countercyclical capital buffer	7 084	4 512	5 995
Combined buffer requirement	73 760	68 599	81 481
Total capital ratio	16,9%	15,9%	13,5%
Total capital ratio including buffers	14,2%	13,3%	10,8%
Minimal required total capital ratio including buffers (article 92 section1 letter c) of CRR)	8%	8%	8%

The mandatory capital adequacy was not breached in the periods covered by the interim condensed consolidated financial statements.

The table below presents data on the level of capitals and on the total capital requirement divided into requirements due to specific types of risks calculated in accordance with separate regulations together with average monthly values. Average monthly values were calculated as an estimation of the average values calculated based on statuses at the end of specific days.

In the table below, in order to ensure comparability of the presentation, the total capital requirement was presented as 8% of the total risk exposure, calculated in accordance with the CRR.

(IN PLN'000)	AS AT 30.09.2020 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2019 (AUDITED)	AS AT 30.09.2019 (UNAUDITED)
1. Capital/Own funds	451 832	418 642	408 570	408 230
1.1. Base capital/Common Equity Tier I without deductions	462 367	434 362	441 633	441 633
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(10 535)	(16 417)	(33 063)	(33 403)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
I. Level of capitals subject to monitoring/Own funds	451 832	418 642	408 570	408 230
1. Market risk	115 867	129 153	122 863	171 346
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	4 855	2 559	6 294	5 046
3. Credit risk	44 133	38 319	27 413	25 234
4. Operating risk	48 507	48 507	48 507	39 929
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	213 363	218 538	205 077	241 555
IIb. Total risk exposure	2 667 033	2 731 724	2 563 461	3 019 440
Capital conservation buffer	66 676	73 651	64 087	75 486
Countercyclical capital buffer	7 084	5 358	4 512	5 995
Combined buffer requirement	73 760	79 009	68 599	81 481

Pursuant to CRR the duty to calculate the capital requirement in respect of fixed costs arises only in the event that the entity does not calculate the capital requirement in respect of operating risk.

33. Risk management

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

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

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

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

The Risk Control Department is managed by the Member of the Management Board responsible for the supervision of the risk management system

The Parent Company's Supervisory Board approves risk management system

33.1 Fair value

33.1.1 Carrying amount and fair value

The fair value of cash and cash equivalents is estimated as being close to their carrying amount.

The fair value of loans granted and other receivables, amounts due to clients and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items.

33.1.2 Fair value hierarchy

The Group discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- Level 1: quoted prices (unadjusted) in active markets for the assets or liabilities;
- Level 2: input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- Level 3: input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs).

(IN PLN'000)	30.09.2020 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	209 693	206 670	–	416 363
Total financial assets	209 693	206 670	–	416 363
Financial liabilities				
Financial liabilities held for trading	–	54 848	–	54 848
Total financial liabilities	–	54 848	–	54 848

(IN PLN'000)	31.12.2019 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	19 230	130 088	–	149 318
Total financial assets	19 230	130 088	–	149 318
Financial liabilities				
Financial liabilities held for trading	–	23 529	–	23 529
Total financial liabilities	–	23 529	–	23 529

(IN PLN'000)	30.09.2019 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	19 185	129 734	–	148 919
Total financial assets	19 185	129 734	–	148 919
Financial liabilities				
Financial liabilities held for trading	–	20 135	–	20 135
Total financial liabilities	–	20 135	–	20 135

In the periods covered by the interim condensed consolidated financial statements, there were no transfers of items between the levels of the fair value hierarchy.

The fair value of contracts for differences (CFDs) is determined based on the market prices of underlying instruments, derived from independent sources, i.e. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the

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

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

33.2 Market risk

In the period covered by these interim condensed consolidated financial statements, the Group entered into OTC contracts for differences (CFDs). The Group may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

The following risks are specified, depending on the risk factor:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Commodity price risk
- Equity investment price risk

The Group's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Company's practice in this area is consistent with the following principles.

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

33.2.1 Currency risk

The Group enters into transactions principally in instruments bearing currency risk. Aside from transactions where the FX rate is an underlying instrument, the Group also offers instruments which price is denominated in foreign currencies. Also, the Group has assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

The carrying amount of the Group's assets and liabilities in foreign currencies as at the balance sheet date is presented below. The values for all base currencies are expressed in PLN'000:

Assets and liabilities denominated in foreign currencies as at 30 September 2020 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	213 539	468 267	34 367	123 875	5 198	14 656	22 546	882 448	1 484 076
Financial assets at fair value through P&L	31 427	76 728	7 801	20 402	1 318	3 964	13 498	155 138	416 363
Income tax receivables	–	–	–	2	–	–	–	2	2 604
Financial assets at amortised cost	1 018	4 971	292	303	24	444	1 632	8 684	10 061
Prepayments and deferred costs	235	476	372	85	–	17	11	1 196	7 128
Intangible assets	–	2	–	62	–	–	5	69	685
Property, plant and equipment	7	5 211	75	902	–	–	1 063	7 258	12 874
Deferred income tax assets	–	7 473	1 655	62	–	–	–	9 190	9 190
Total assets	246 226	563 128	44 562	145 693	6 540	19 081	38 755	1 063 985	1 942 981
Liabilities									
Amounts due to Clients	83 695	411 068	23 650	108 180	5 548	15 113	16 700	663 954	963 967
Financial liabilities held for trading	14 887	13 954	3 733	4 612	246	409	7 739	45 580	54 848
Income tax liabilities	–	582	–	–	–	–	623	1 205	1 205
Liabilities due to lease	–	8 591	–	70	–	–	834	9 495	9 512
Other liabilities	2 376	11 725	3 438	1 635	1	330	1 715	21 220	39 884
Provisions for liabilities	–	–	–	–	–	–	2 611	2 611	4 078
Deferred income tax provision	–	–	–	–	–	–	54	54	22 897
Total liabilities	100 958	445 920	30 821	114 497	5 795	15 852	30 276	744 119	1 096 391

Assets and liabilities denominated in foreign currencies as at 31 December 2019 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	65 575	334 517	15 965	63 673	7 906	10 786	32 678	531 100	955 196
Financial assets at fair value through P&L	18 799	50 681	2 731	15 100	1 769	1 940	3 096	94 116	149 318
Income tax receivables	–	13	–	58	–	–	–	71	71
Financial assets at amortised cost	396	3 002	205	237	11	151	1 351	5 353	6 474
Prepayments and deferred costs	189	270	271	101	–	18	25	874	4 073
Intangible assets	–	13	–	56	–	–	8	77	572
Property, plant and equipment	–	4 991	244	1 107	–	10	451	6 803	14 193
Deferred income tax assets	–	7 160	1 804	29	–	–	10	9 003	9 003
Total assets	84 959	400 647	21 220	80 361	9 686	12 905	37 619	647 397	1 138 900
Liabilities									
Amounts due to Clients	40 977	272 991	11 501	63 177	5 740	10 232	10 730	415 348	573 792
Financial liabilities held for trading	7 340	6 796	833	1 316	392	135	1 175	17 987	23 529
Income tax liabilities	–	49	–	–	–	–	359	408	1 697
Liabilities due to lease	–	10 289	180	95	–	–	182	10 746	10 772
Other liabilities	716	5 373	1 908	598	1	193	1 281	10 070	19 676
Provisions for liabilities	–	–	–	–	–	–	1 677	1 677	3 129
Deferred income tax provision	–	–	–	–	–	–	–	–	15 561
Total liabilities	49 033	295 498	14 422	65 186	6 133	10 560	15 404	456 236	648 156

Assets and liabilities denominated in foreign currencies as at 30 September 2019 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	64 010	341 803	14 941	62 845	8 225	10 758	36 674	539 256	918 003
Financial assets at fair value through P&L	14 980	54 450	1 733	12 405	1 397	4 228	3 595	92 788	148 919
Income tax receivables	–	9	–	120	–	–	260	389	2 550
Financial assets at amortised cost	854	3 350	222	118	43	169	864	5 620	6 906
Prepayments and deferred costs	102	662	408	163	–	41	124	1 500	5 829
Intangible assets	–	12	–	8	–	–	9	29	571
Property, plant and equipment	–	5 328	353	1 162	–	10	613	7 466	14 660
Deferred income tax assets	–	7 431	1 790	49	–	–	49	9 319	9 319
Total assets	79 946	413 045	19 477	76 870	9 665	15 206	42 188	656 367	1 106 757
Liabilities									
Amounts due to Clients	43 485	278 581	9 269	60 111	5 284	10 445	12 934	420 109	576 859
Financial liabilities held for trading	7 184	6 056	733	785	425	311	716	16 210	20 135
Income tax liabilities	–	79	–	–	–	–	44	123	123
Liabilities due to lease	–	11 350	309	106	–	–	280	12 045	12 075
Other liabilities	234	6 543	1 979	682	8	217	1 751	11 414	18 600
Provisions for liabilities	–	–	–	–	–	–	1 791	1 791	3 300
Deferred income tax provision	–	–	–	–	–	–	39	39	18 994
Total liabilities	50 903	302 609	12 290	61 684	5 717	10 973	17 555	461 731	650 086

A change in exchange rates, in particular, the PLN exchange rate, affects the balance sheet valuation of the Group's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5% to PLN. The carrying amount of financial instruments was revalued.

The sensitivity of the Group's equity and profit before tax to a 5% increase or decrease of the PLN exchange rate is presented below:

(IN PLN'000)	NINE-MONTH PERIOD ENDED			
	30.09.2020 (UNAUDITED)		30.09.2019 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	18 361	(18 361)	15 847	(15 847)
Equity, of which:	2 847	(2 847)	3 544	(3 544)
Foreign exchange differences on translation	2 847	(2 847)	3 544	(3 544)

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

33.2.2 Interest rate risk

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

The basic interest rate risk for the Group is the mismatch of interest rates paid to clients in connection with funds deposited in cash accounts in the Group, and of the bank account and bank deposits where the Group's clients' funds are invested.

In addition, the source of the Group's profit variability associated with the level of market interest rates, are amounts paid and received in connection with the occurrence of the difference in interest rates for different currencies (swap points) as well as potential debt instruments. As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in clients' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Group from the bank maintaining the bank account in which clients' funds are deposited.

Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of interest rate mismatch adverse to the brokerage house is very low.

Since the Group maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Financial assets			
Cash and cash equivalents	1 484 076	955 196	918 003
Total financial assets	1 484 076	955 196	918 003
Financial liabilities			
Amounts due to clients	–	2 641	18 989
Other liabilities	9 448	10 743	12 075
Total financial liabilities	9 448	13 384	31 064

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 30 September 2020 and from 1 January to 30 September 2019, using the average 1M interest rate in a given market.

(IN PLN'000)	NINE-MONTH PERIOD ENDED			
	30.09.2020 (UNAUDITED)		30.09.2019 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	6 438	(6 438)	4 405	(4 405)

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

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

33.2.3 Other price risk

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

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

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	17 011	4 650	6 210
Base metals	258	193	320
Other	25 406	9 344	15 263
Total commodity	42 675	14 187	21 793
Equity instruments			
Stocks	43 325	13 745	15 656
Indicies	88 079	57 382	64 477
Total equity instruments	131 404	71 127	80 133
Debt instruments	201 446	15 224	15 105
Total financial assets at fair value through P&L	375 525	100 538	117 031
Financial liabilities held for trading			
Commodity			
Precious metals	3 225	2 126	905
Base metals	45	24	20
Other	8 848	3 506	1 710
Total commodity	12 118	5 656	2 635
Equity instruments			
Stocks	13 122	2 356	3 197
Indicies	12 638	7 912	8 494
Total equity instruments	25 760	10 268	11 691
Debt instruments	2	10	43
Total financial liabilities held for trading	37 880	15 934	14 369

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

(IN PLN'000)	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)		30.09.2019 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(13 544)	13 544	(4 249)	4 249
Base metals	15	(15)	(180)	180
Other	(9 590)	9 590	(9 128)	9 128
Total commodity	(23 119)	23 119	(13 557)	13 557
Equity instruments				
Stocks	50	(50)	(4)	4
Indicies	3 557	(3 557)	46 232	(46 232)
Total equity instruments	3 607	(3 607)	46 228	(46 228)
Debt instruments	9 770	(9 770)	1 164	(1 164)
Total income/(expenses) for the period	(9 742)	9 742	33 835	(33 835)

33.3 Liquidity risk

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

The objective of liquidity management at X–Trade Brokers is to maintain the amount of cash on the appropriate bank accounts that will cover all the operations necessary to be carried on such accounts. In order to manage liquidity in relation to certain bank accounts associated with the operations of financial instruments, the Group uses the liquidity model of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action. Where the upper limit is achieved, the Group makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Group makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

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

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

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

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

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

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

Contractual payment periods of financial assets and liabilities as at 30 September 2020 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	1 484 076	1 484 076	1 484 076	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETFs	9 058	9 058	9 058	–	–	–	–
Bonds	200 635	200 635	200 635				
CFDs	206 670	206 670	206 670	–	–	–	–
Total financial assets at fair value through P&L	416 363	416 363	416 363	–	–	–	–
Financial assets at amortised cost	10 061	10 061	7 458	–	2 603	–	–
Total financial assets	1 910 500	1 910 500	1 907 897	–	2 603	–	–
Financial liabilities							
Amounts due to clients	963 967	963 967	963 967	–	–	–	–
Financial liabilities held for trading							
CFDs	54 848	54 848	54 848	–	–	–	–
Total financial liabilities held for trading	54 848	54 848	54 848	–	–	–	–
Liabilities due to lease	9 512	9 512	1 180	3 279	4 493	560	–
Other liabilities	39 884	39 884	15 160	19 981	–	–	4 743
Total financial liabilities	1 068 211	1 068 211	1 035 155	23 260	4 493	560	4 743
Contractual liquidity gap in maturities (payment dates)			872 742	(23 260)	(1 890)	(560)	(4 743)
Contractual cumulative liquidity gap			872 742	849 482	847 592	847 032	842 289

Contractual payment periods of financial assets and liabilities as at 31 December 2019 (audited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	955 196	955 196	955 196	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETFs	4 331	4 331	4 331	–	–	–	–
Bonds	14 899	14 899	14 899	–	–	–	–
CFDs	130 088	130 088	130 088	–	–	–	–
Total financial assets at fair value through P&L	149 318	149 318	149 318	–	–	–	–
Financial assets at amortised cost	6 474	6 474	4 609	–	1 865	–	–
Total financial assets	1 110 988	1 110 988	1 109 123	–	1 865	–	–
Financial liabilities							
Amounts due to clients	573 792	573 792	573 792	–	–	–	–
Financial liabilities held for trading							
CFDs	23 529	23 529	23 529	–	–	–	–
Total financial liabilities held for trading	23 529	23 529	23 529	–	–	–	–
Liabilities due to lease	10 772	10 772	1 187	3 136	5 679	770	–
Other liabilities	19 676	19 676	9 239	8 511	–	–	1 926
Total financial liabilities	627 769	627 769	607 747	11 647	5 679	770	1 926
Contractual liquidity gap in maturities (payment dates)			501 376	(11 647)	(3 814)	(770)	(1 926)
Contractual cumulative liquidity gap			501 376	489 729	485 915	485 145	483 219

Contractual payment periods of financial assets and liabilities as at 30 September 2019 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	918 003	918 003	918 003	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETFs	4 403	4 403	4 403	–	–	–	–
Bonds	14 895	14 895	14 895				
CFDs	129 621	129 621	129 621	–	–	–	–
Total financial assets at fair value through P&L	148 919	148 919	148 919	–	–	–	–
Financial assets at amortised cost	6 906	6 906	4 996	–	1 910	–	–
Total financial assets	1 073 828	1 073 828	1 071 918	–	1 910	–	–
Financial liabilities							
Amounts due to clients	576 859	576 859	576 859	–	–	–	–
Financial liabilities held for trading							
CFDs	20 135	20 135	20 135	–	–	–	–
Total financial liabilities held for trading	20 135	20 135	20 135	–	–	–	–
Liabilities due to lease	12 075	12 075	1 253	3 398	6 548	876	–
Other liabilities	18 600	18 600	10 792	5 830	–	–	1 978
Total financial liabilities	627 669	627 669	609 039	9 228	6 548	876	1 978
Contractual liquidity gap in maturities (payment dates)			462 879	(9 228)	(4 638)	(876)	(1 978)
Contractual cumulative liquidity gap			462 879	453 651	449 013	448 137	446 159

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

33.4 Credit risk

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

(IN PLN'000)	30.09.2020 (UNAUDITED)		31.12.2019 (AUDITED)		30.09.2019 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	1 484 076	1 484 076	955 196	955 196	918 003	918 003
Financial assets at fair value through P&L *	206 670	9 453	130 088	6 676	148 919	6 687
Financial assets at amortised cost	10 061	10 061	6 474	6 474	6 906	6 906
Total financial assets	1 910 500	1 503 590	1 110 988	968 346	1 073 828	931 596

** As at 30 September 2020 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 191 913 thousand (31 December 2019: PLN 130 190 thousand, 30 June 2019: PLN 129 723 thousand). This exposure was collateralised with clients' cash, which, as at 30 September 2020, covered the amount of PLN 182 459 thousand (31 December 2019: PLN 101 350 thousand, 30 June 2019: PLN 105 438 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

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

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

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

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and clients' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 30 September 2020, the Group had deposit accounts in 48 banks and institutions (31 December 2019: in 44 banks and institutions, 30 September 2019: in 45 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	30.09.2020 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2019 (AUDITED) (IN PLN'000)	ENTITY	30.09.2019 (UNAUDITED) (IN PLN'000)
Bank 1	322 502	Bank 1	257 494	Bank 1	210 114
Bank 2	279 338	Bank 2	197 799	Bank 2	159 443
Bank 3	187 621	Bank 3	135 374	Bank 3	120 295
Bank 4	184 871	Bank 4	93 637	Bank 4	83 692
Bank 5	74 883	Bank 5	43 170	Bank 5	45 920
Bank 6	70 050	Bank 6	36 649	Bank 6	42 621
Bank 7	59 344	Bank 7	27 005	Bank 7	37 896
Bank 8	48 292	Bank 8	25 291	Bank 8	25 209
Bank 9	47 966	Bank 9	22 982	Bank 9	23 570
Bank 10	42 459	Bank 10	17 982	Bank 10	21 858
Other	166 750	Other	97 813	Other	147 385
Total	1 484 076	Total	955 196	Total	918 003

The table below presents a short-term assessment of the credit quality of the Group's cash and cash equivalents according to credit quality steps determined based on external credit quality assessments (where step 1 means the best credit quality and step 6 – the worst) and the risk weights assigned based on the CRR. Long-term assessment of the credit quality were used in case of exposures without short-term assessment of the credit quality or maturity longer than 3 months.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000)		
	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
Cash and cash equivalent			
Step 1	1 346 761	804 016	814 015
Step 2	32 011	49 735	3 691
Step 3	81 604	78 403	75 044
Step 4	1 841	20 941	23 235
Step 5	1 951	2 101	2 018
Total	1 464 168	955 196	918 003

Financial assets at fair value through P&L

Financial assets at fair value through P&L result from transactions in financial instruments entered into with the Group's customers and the related hedging transactions.

Credit risk involving financial assets at fair value through P&L is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Group's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage serve as a security. If a customer's current balance is 50 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets at fair value through P&L is high and does not show significant diversity.

The Group's top 10 exposures to counterparty credit risk taking into account collateral (net exposure) are presented in the table below (numbering of counterparties determined individually for each period:

30.09.2020 (UNAUDITED)		31.12.2019 (AUDITED)		30.09.2019 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	3 753	Entity 1	3 071	Entity 1	3 071
Entity 2	2 951	Entity 2	1 212	Entity 2	1 212
Entity 3	381	Entity 3	295	Entity 3	295
Entity 4	371	Entity 4	267	Entity 4	267
Entity 5	148	Entity 5	262	Entity 5	262
Entity 6	141	Entity 6	180	Entity 6	180
Entity 7	99	Entity 7	109	Entity 7	109
Entity 8	85	Entity 8	103	Entity 8	103
Entity 9	83	Entity 9	88	Entity 9	88
Entity 10	78	Entity 10	84	Entity 10	84
Total	8 090	Total	5 671	Total	5 671

Other receivables

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

NOTES TO QUARTERLY REPORT

NOTES TO THE QUARTERLY REPORT

1. Information about the Group's activities

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

The Group is an international provider of trading and investment products, services and solutions, specializing in OTC markets with a particular focus on CFDs, which are investment products with returns linked to the changes in the prices and values of underlying instruments and assets. The Group conducts its operations through two business segments: retail and institutional operations. The Group's retail business is focused on providing online trading in various instruments based on assets and underlying instruments from the financial and commodities markets to individual clients. For its institutional clients, the Group offers technologies that allow clients to set up their own trading environment under their own brands and acts as a liquidity provider to its institutional clients.

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

XTB Group continuously conducts activities aimed at extending the offer for its clients and optimizing internal and external processes. Extending the offer mainly concerns the stock offer and ETF, while there are currently over 2 700 instruments available. There are also CFD products, which gives in total almost 4 500 instruments available for trade by the Group's clients. Process optimization is mainly about speeding up on-boarding and development of self-service processes through xStation platform. The Management Board believes that the platform is currently one of the most developed trading platform on the CFD and stock market. The company is constantly trying to develop the platform with elements supporting transactions on OTC markets. The Management Board believes that the Group has built solid foundations ensuring its a good position to generate growth in the future.

2. Summary and analysis of the results of the Group

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).

In the period Q1-Q3 2020 the Company reported a consolidated net profit of PLN 361,9 million compared to PLN 20,7 million a year earlier.

2.1 Factors affecting operating and financial results

The Group's operating and financial results are primarily influenced by:

- number of active clients, transaction volume and amount of deposits;
- volatility in financial and commodity markets;
- general market, geopolitical and economic conditions;
- competition in the FX/CFD market; and
- regulatory environment.

The key factors influencing the Group's financial and operating results for the 3 and 9 months ended 30 September 2020 are discussed below. According to the Management Board, these factors have and may have an impact on the Group's operations, operational and financial results, financial situation and prospects in the future.

2.2 Discussion of the Group's results

The table below presents selected items of the consolidated statement of comprehensive income in the given periods.

(in PLN'000)	THREE-MONTH PERIOD ENDED			
	30.09.2020	30.09.2019	CHANGE IN VALUE	CHANGE %
Result of operations on financial instruments	138 648	59 792	78 856	131,9
Income from fees and charges	977	1 130	(153)	(13,5)
Other income	5	30	(25)	(83,3)
Total operating income	139 630	60 952	78 678	129,1
Salaries and employee benefits	(25 385)	(21 368)	(4 017)	18,8
Marketing	(17 870)	(8 735)	(9 135)	104,6
Other external services	(7 045)	(5 737)	(1 308)	22,8
Costs of maintenance and lease of buildings	(1 043)	(884)	(159)	18,0
Amortisation and depreciation	(1 832)	(1 795)	(37)	2,1
Taxes and Statutory Fees	(1 026)	(551)	(475)	86,2
Commission expenses	(5 480)	(2 143)	(3 337)	155,7
Other expenses	(457)	(1 767)	1 310	(74,1)
Total operating expenses	(60 138)	(42 980)	(17 158)	39,9
Profit (loss) on operating activities (EBIT)	79 492	17 972	61 520	342,3
Finance income	754	2 408	(1 654)	(68,7)
Finance costs	(839)	860	(1 699)	(197,6)
Profit (loss) before tax	79 407	21 240	58 167	273,9
Income tax	(11 010)	(5 733)	(5 277)	92,0
Net profit (loss)	68 397	15 507	52 890	341,1

(in PLN'000)	NINE-MONTH PERIOD ENDED			
	30.09.2020	30.09.2019	CHANGE IN VALUE	CHANGE %
Result of operations on financial instruments	654 046	145 229	508 817	350,4
Income from fees and charges	3 658	4 462	(804)	(18,0)
Other income	84	42	42	100,0
Total operating income	657 788	149 733	508 055	339,3
Salaries and employee benefits	(91 071)	(61 898)	(29 173)	47,1
Marketing	(56 870)	(27 494)	(29 376)	106,8
Other external services	(20 277)	(17 098)	(3 179)	18,6
Costs of maintenance and lease of buildings	(2 944)	(2 416)	(528)	21,9
Amortisation and depreciation	(5 647)	(5 033)	(614)	12,2
Taxes and Statutory Fees	(2 418)	(2 081)	(337)	16,2
Commission expenses	(16 004)	(6 047)	(9 957)	164,7
Other expenses	(3 157)	(4 501)	1 344	(29,9)
Total operating expenses	(198 388)	(126 568)	(71 820)	56,7
Profit (loss) on operating activities (EBIT)	459 400	23 165	436 235	1 883,2
Finance income	3 819	5 640	(1 821)	(32,3)
Finance costs	(21 596)	(452)	(21 144)	4 677,9
Profit (loss) before tax	441 623	28 353	413 270	1 457,6
Income tax	(79 767)	(7 690)	(72 077)	937,3
Net profit (loss)	361 856	20 663	341 193	1 651,2

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[1]	760 373	829 017	784 840	394 146	423 333	385 318	394 421	458 869
Profitability per lot (in PLN)[2]	184	255	391	227	144	124	104	93

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

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[1]	21 178	30 523	21 911	10 424	10 042	9 246	6 843	5 742
Average number of active clients[2]	53 309	52 083	45 660	26 582	25 171	23 688	22 245	21 279

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

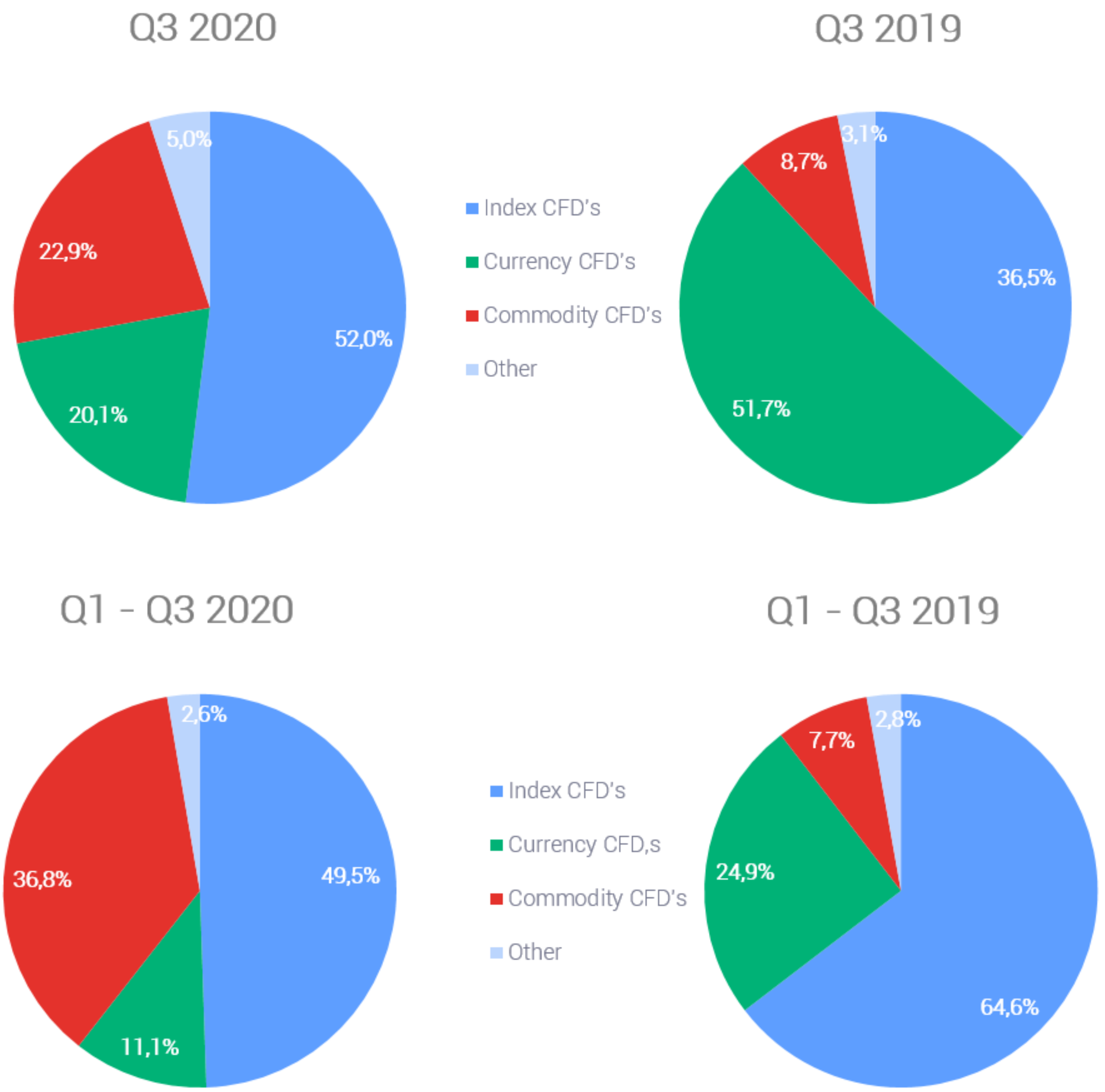
The announcement of José Mourinho collaboration with XTB also marked the launch of the new global marketing campaign "Be like José". Its creative concept is based on the similarities between the challenges faced by investors and trainers on a daily basis. A well-considered strategy, the will to win and 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 31 October this year the Group acquired 11,4 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 %)



(in PLN'000)	THREE-MONTH PERIOD ENDED			NINE-MONTH PERIOD ENDED		
	30.09.2020	30.09.2019	CHANGE %	30.09.2019	30.09.2019	CHANGE %
Index CFDs	73 164	21 937	233,5	325 982	94 532	244,8
Currency CFDs	28 306	31 125	(9,1)	73 050	36 461	100,4
Commodity CFDs	32 265	5 256	513,9	242 309	11 206	2 062,3
Stock CFDs and ETFs	4 112	1 207	240,7	8 512	2 369	259,3
Bond CFDs	55	404	(86,4)	192	1 067	(82,0)
Total CFDs	137 902	59 929	130,1	650 045	145 635	346,4
Shares and ETFs	2 877	268	973,7	8 876	668	1 228,7
Gross gain on transactions in financial instruments	140 780	60 197	133,9	658 921	146 303	350,4
Bonuses and discounts paid to	(627)	(61)	927,7	(1 086)	(150)	624,0
Commission paid to cooperating brokers	(1 504)	(344)	337,3	(3 788)	(924)	310,0
Net gain on transaction in financial instruments	138 648	59 792	131,9	654 046	145 229	350,4

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 their share in Q3 2020 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	CHANGE %	30.09.2020	30.09.2019	CHANGE %
Central and Eastern Europe	59 449	34 252	73,6	316 574	78 955	301,0
- including Poland	*48 180*	*25 211*	*91,1*	*225 110*	*61 423*	*266,5*
Western Europe	54 550	22 934	137,9	270 082	59 870	351,1
- including Spain	*22 189*	*11 247*	*97,3*	*114 194*	*32 434*	*252,1*
Latin America	25 630	3 766	580,6	71 132	10 908	552,1
Total operating income	139 629	60 952	129,1	657 788	149 733	339,3

XTB also puts a 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	CHANGE %	30.09.2020	30.09.2019	CHANGE %
Retail segment	129 083	60 161	114,6	557 640	138 312	303,2
Institutional segment (X Open Hub)	10 547	791	1233,4	100 148	11 421	776,9
Total operating income	139 630	60 952	129,1	657 788	149 733	339,3

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	CHANGE %	30.09.2020	30.09.2019	CHANGE %
Salaries and employee benefits	25 385	21 368	18,8	91 071	61 898	47,1
Marketing	17 870	8 735	104,6	56 870	27 494	106,8
Other external services	7 045	5 737	22,8	20 277	17 098	18,6
Costs of maintenance and lease of buildings	1 043	884	18,0	2 944	2 416	21,9
Amortization and depreciation	1 832	1 795	2,1	5 647	5 033	12,2
Taxes and Statutory Fees	1 026	551	86,2	2 418	2 081	16,2
Commission expenses	5 480	2 143	155,7	16 004	6 047	164,7
Other expenses	457	1 767	(74,1)	3 157	4 501	(29,9)
Total operating expenses	60 138	42 980	39,9	198 388	126 568	56,7

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

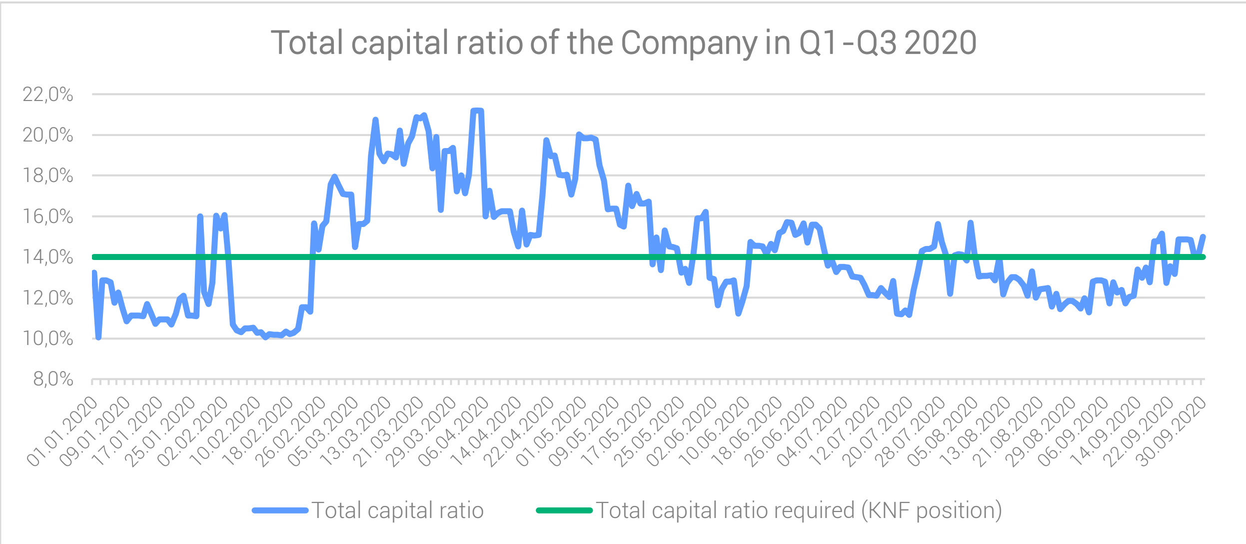
The XTB dividend policy assumes recommendation by the Management Board to the General Meeting a dividend payment in the amount taking into account the level of net profit presented in the standalone annual financial report of the Company and a variety of factors relating to the Company, including prospects 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 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

2.3 Group's selected financial ratios

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
EBITDA (in PLN'000)[1]	81 324	19 767	465 047	28 198
EBITDA margin (%)[2]	58,2	32,4	70,7	18,8
Net profit margin (%)[3]	49,0	25,4	55,0	13,8
Return on equity –ROE (%)[4]	33,7	13,9	72,2	6,0
Return on assets – ROA (%)[5]	14,7	5,8	31,3	2,7
Standalone capital adequacy ratio, including buffers [6]	15,1	11,3	15,1	11,3
Aggregate capital adequacy ratio of the Group including buffers (%)[7]	14,2	10,8	14,2	10,8

1) EBITDA calculated as operating profit (loss), including amortisation and depreciation.
2) Calculated as the quotient of operating profit (loss), including amortisation and depreciation, and operating income.
3) Calculated as the quotient of net profit (loss) and operating income.
4) Calculated as the quotient of net profit (loss) and average balance of equity (calculated as the arithmetic mean of the total equity as at the end of the prior period and as at the end of the current reporting period; ratios for 3-months periods were annualized).
5) Calculated as the quotient of net profit (loss) and average balance of total assets (calculated as the arithmetic mean of the total assets as at the end of the prior period and as at the end of the current reporting period; ratios for 3-months periods were annualized).
6) Calculated as the quotient of equity and total risk exposure of Company, including buffers.
7) Calculated as the quotient of equity and total risk exposure of Group, including buffers.

2.4 Selected operating data

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Retail operations segment	698 440	376 723	2 159 384	1 068 104
Central and Eastern Europe	352 029	195 060	1 129 466	560 973
Western Europe	222 611	141 786	740 795	410 204
Latin America	123 800	39 877	289 122	96 927
Institutional operations segment	61 933	46 610	214 846	134 968
Total	760 373	423 333	2 374 230	1 203 072

The table below presents:

- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the amount of net deposits in the individual periods;
- average operating income per one active client;
- the transaction volume in lots;
- profitability per lot;
- transaction volume of CFD derivatives at nominal value;
- profitability per 1 million turnover and;
- the volume of share transactions at nominal value.

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
New clients[1]	21 178	10 042	73 612	26 131
Average number of active clients[2]	55 760	28 136	53 309	25 171
Clients in total	219 024	139 949	219 024	139 949
Net deposits (in PLN'000))[3]	296 259	95 259	1 341 444	290 143
Average operating income per active client (in PLN'000))[4]	2,5	2,2	12,3	5,9
Transaction volume in CFD instruments in lots [5]	760 373	423 333	2 374 230	1 203 072
Profitability per lot (in PLN)[6]	184	144	227	124
Transactions volume in CFD at nominal value (in USD million)	275 143,5	140 167,7	729 835,2	409 133,3
Profitability per 1 million turnover in CFD derivatives (in PLN)	131	109	233	92
Share transaction volume at nominal value (in USD million)	346	49	867	124

1) The number of new clients in the individual periods.
2) The average quarterly number of clients via which at least one transaction has been concluded over the last three months.
3) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
4) The Group's operating income in a given period divided by the average quarterly number of clients via which at least one transaction has been concluded over the last three months.
5) 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.
6) Total operating income divided by the transaction volume in CFDs in lots.

Retail operations segment

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	**30.09.2019**	**30.09.2020**	**30.09.2019**
New clients[1]	21 176	10 041	73 612	26 126
Average number of active clients[2]	55 735	28 109	53 285	25 143
Clients in total	218 988	139 911	218 988	139 911
Number of transactions [3]	14 705 406	6 551 807	45 338 223	18 438 533
Transaction volume in CFD instruments in lots [4]	698 441	376 723	2 159 384	1 068 104
Net deposits (in PLN'000)[5]	283 835	99 934	1 241 888	287 864
Average operating income per active client (in PLN'000)[6]	2,3	2,1	10,5	5,5
Average cost of obtaining an client (in PLN'000)[7]	0,8	0,9	0,8	1,0
Profitability per lot (in PLN)[8]	185	160	258	129
Transactions volume in CFD at nominal value (in USD million)	253 444	126 222	667 684	366 370
Profitability per 1 million turnover in CFD derivatives (in PLN)[9]	132	119	216	94
Share transaction volume at nominal value (in USD million)	346	49	867	124

1) The number of new clients in the individual periods.
2) The average quarterly number of clients via which at least one transaction has been concluded over the last three months.
3) Total number of open and closed transactions in a given period.
4) 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.
5) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
6) The Group's operating income in a given period divided by the average quarterly number of clients via which at least one transaction has been concluded over the last three months.
7) Average cost of obtaining a client comprise total marketing costs of the Group divided by the number of new clients in given period.
8) Total operating income in retail segment divided by the transaction volume in CFDs in lots.
9) Total operating income in retail segment divided by the transaction volume in CFDs at nominal value in PLN.

The table below presents the average quarterly number of retail clients maintained by the Group on which at least one trade was executed in the last three months, by geographical location. The locations of active clients have been determined based on the location of the Group's office (that maintains the client) except for clients maintained by XTB Limited and XTB International Limited. The clients maintained by XTB Limited and XTB International Limited have been classified based on the client's country of residence rather, not the location of the Group's office.

			THREE-MONTH PERIOD ENDED	
		30.09.2020		**30.09.2019**
Central and Eastern Europe	28 843	51,7%	13 831	49,2%
Western Europe	17 657	31,7%	11 174	39,8%
Latin America	9 235	16,6%	3 104	11,0%
Average number of active clients	55 735	100,0%	28 109	100,0%

			NINE-MONTH PERIOD ENDED	
		30.09.2020		**30.09.2019**
Central and Eastern Europe	28 151	58,2%	12 674	50,4%
Western Europe	17 802	33,4%	10 145	40,3%
Latin America	7 333	13,8%	2 324	9,3%
Average number of active clients	53 285	100,0%	25 143	100,0%

Institutional operations segment

The Group provides its services to institutional clients, including brokerage houses and other financial institutions.

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Average number of active clients	25	27	24	28
Clients in total	36	38	36	38

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Transaction volume in CFD instruments in lots	61 933	46 610	214 846	134 968

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.

2.5 Factors which in the Management's Board opinion may impact the Group's results in the perspective of at least the next quarter

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations until the end of 2020 and in some cases also longer:

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

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

	THREE-MONTH PERIOD ENDED							
	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[1]	760 373	829 017	784 840	394 146	423 333	385 318	394 421	458 869
Profitability per lot (in PLN)[2]	184	255	391	227	144	124	104	93

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

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

	01.01.2020-30.09.2020	2019	2018	2017	2016	2015
% share of operating income from institutional operations in total operating income	15,2%	8,7%	6,5%	15,2%	7,8%	4,7%

The level of volatility on financial and commodity markets in 2020, regulatory changes and other factors (if they occur) may affect the condition of XTB institutional partners, transaction volume in lots and XTB revenues from these clients as well.

- 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.

- On 10 February 2017, the Turkish regulatory body, the Capital Markets Board of Turkey (CMB), introduced changes to the regulations regarding the operation of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and, consequently, to a significant reduction in the Group's operations in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report the Company did not have any active licence to operate. On 15 April 2020 the Management Board made a decision on recognition in accounting records reclassification of the part of negative foreign exchange differences in the amount of 21,9 million PLN arising from the translation of the Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. (former: X Trade Brokers Menkul Değerler A.S.) subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement. The recognition of reclassification in the above amount as financial cost in accounting records is an accounting operation and was recognized in consolidated financial results for the 1st Half 2020. However, it did not affect the liquidity position of XTB nor the total amount of Group's equity as at the date of its booking. The remaining part of foreign exchange differences arising from the translation of the Turkish company's equity, which as at the end of Q3 2020 amounted to PLN 3,1 million and is derived among other the exchange rate of Turkish lira, will be recognized in consolidated result at the date of liquidation of this company. On 15 September 2020, the liquidation process of the company in Turkey has begun. The name of the company was changed to Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş.

- The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. On the one hand, there is a temporary drop in trade volumes among European brokers. On the other hand, the Management Board of XTB is convinced of the business's vitality over a longer time horizon. The natural consequence of ESMA's decision should be a wave of consolidation on the market that would allow XTB to consolidate its strong position on the European market. Less influential brokers, unable to withstand regulatory pressure and strong competition from a very significant brokers, will naturally disappear from the market. Consequently large brokers should expect the client base to grow.

  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 and subsequent years the Group aims to increase its European market penetration and continue with building their position in Latin America, Asia and Africa.

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

3. Company's authorities

3.1 Management Board

As at 30 September 2020 and as at the date of publication of this periodic report, the composition of the Management Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	President of the Management	10.01.2017	30.06.2022
Paweł Szejko	Board Member	28.01.2015	30.06.2022
Filip Kaczmarzyk	Board Member	10.01.2017	30.06.2022
Jakub Kubacki	Board Member	10.07.2018	30.06.2022
Andrzej Przybylski	Board Member	01.05.2019	30.06.2022

* Omar Arnaout on 10.01.2017 was appointed as a member of the Management Board for Sales in the rank of Vice President of the Board. On 23.03.2017 he was appointed the President of the Management Board

In the reporting period and as at the submission date of this report there were no changes in the composition of the Management Board.

3.2 Supervisory Board

As at 30 September 2020 and as at the date of publication of this periodic report, the composition of the Supervisory Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF THE CURRENT APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	President of the Supervisory Board	10.11.2018	10.11.2021
Łukasz Baszczyński	Member of the Supervisory Board	10.11.2018	10.11.2021
Jarosław Jasik	Member of the Supervisory Board	10.11.2018	10.11.2021
Bartosz Zabłocki	Member of the Supervisory Board	10.11.2018	10.11.2021
Grzegorz Grabowicz	Member of the Supervisory Board	10.11.2018	10.11.2021

In the reporting period and until the date of submission of this report, there were no changes in the composition of the Supervisory Board.

4. Information about shares and shareholding

4.1 Equity

As at 30 September 2020 and as at the submission date of this periodic report, share capital of X-Trade Brokers Dom Maklerski S.A. comprised of 117 383 635 A-series ordinary shares. The nominal value of the shares is PLN 0,05 per share.

4.2 Share in the free float

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

4.3 Shareholding structure

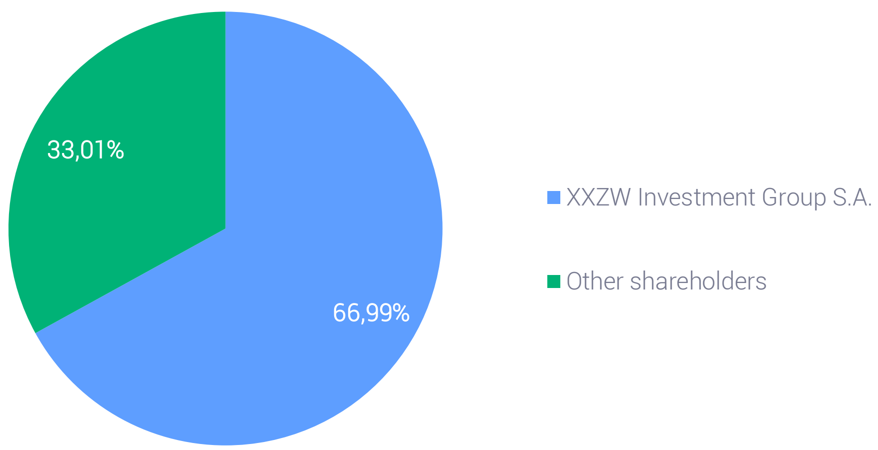
To the best knowledge of the Management Board of the Company as at 21 August 2020 i.e. as at the submission date of the previous periodic report (Report for the 1st half 2020), the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES (%)
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Other shareholders	38 753 841	1 937	33,01%
Total	117 383 635	5 869	100%

[1]) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.

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

The shareholding structure as at 30 September 2020 is presented in the following chart:



To the best knowledge of the Company's Management Board as at 30 September 2020 and as at the date of this periodic report the condition of shareholders holding directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Entity did not change compared to 21 August 2020.

4.4 Shares and rights held by Members of the Management and Supervisory board

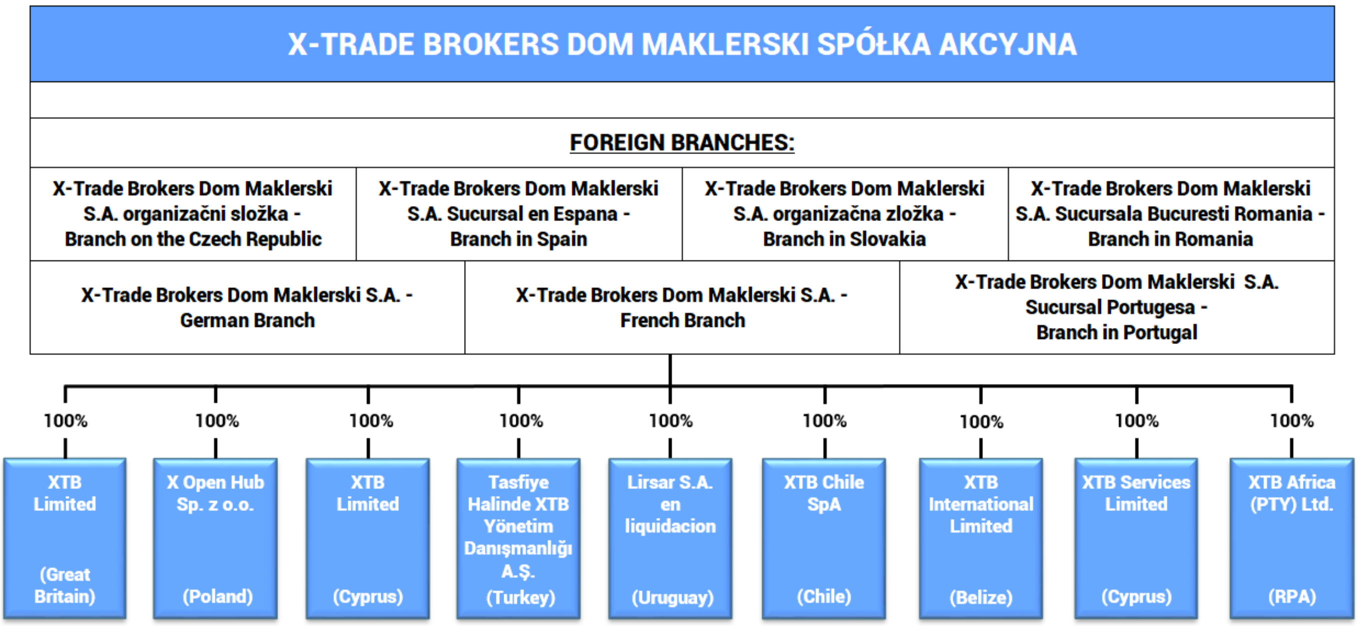
Management and supervisory personnel did not hold, at the end of the reporting period and at the date of this report, share the Company's shares and the entitlements to the Company's shares

5. Other information

5.1 Description of the Group's organization

As at 30 September 2020 the Group comprised Parent Company and 9 subsidiaries. The Company has 7 foreign branches.

The chart below presents the Group's structure, including the Company's foreign branches, including its share in the share capital / number of votes at the general meeting or the shareholders meeting to which the shareholder or shareholder is entitled.



The results of all subsidiaries are fully consolidated from the date of their creation/acquisition.

Neither the Parent Company nor any Group company holds shares in other companies that may have a material impact on its assets and liabilities, financial position and profit or loss.

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

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

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

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

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

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

XTB Limited (formerly: DUB Investments Ltd.), Cyprus

XTB Limited business comprises:

- accepting and forwarding orders relating to one or more financial instruments.

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

- execution of orders on behalf of clients,
- dealing on own account and following ancillary services:
  - safekeeping and administration of financial instruments on behalf of clients; including custodianship and related services such as cash/additional insurance,
  - granting investors credits or loans to one or more financial instruments, where the firm granting the credit or loans is involved in the transaction,
  - foreign exchange services where these are connected to the provision of investment services.

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

On May 3 2018, DUB Investments Limited changed its name to XTB Limited. On June 6 2018, the parent company acquired 1 165 shares in the increased share capital of the subsidiary, maintaining a 100% share in its capital.

Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. (formerly: X Trade Brokers Menkul Değerler A.Ş.), Turkey

In 2020 XTB Yönetim Danışmanlığı Anonim Şirketi did not conduct any operating activities. In the past the company business encompassed among other.:

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

On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report the subsidiary did not have any active licence to operate.

On 3 March 2020 the General Meeting of company XTB XTB Yönetim Danışmanlığı Anonim Şirketi with its office in Turkey decided to reduce the company's share capital from TRY 22 500 thousands to TRY 100 thousands. Therefore, X- Trade Brokers Dom Maklerski S.A. Group, on the basis of Management Board decision of 15 April 2020, made a decision on recognition in accounting records reclassification of the part of negative foreign exchange differences in the amount of 21,9 million PLN arising from the translation of the XTB Yönetim Danışmanlığı Anonim Şirketi subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement.

The recognition of reclassification in the above amount as financial cost in accounting records is an accounting operation and was recognized in consolidated financial results for the 1st Half 2020. However, it did not affect the liquidity position of XTB nor the total amount of Group's equity as at the date of its booking.

The remaining part of foreign exchange differences arising from the translation of the Turkish company's equity, which as at the end of Q3 2020 amounted to PLN 3,1 million and is derived among other the exchange rate of Turkish lira, will be recognized in consolidated result at the date of liquidation of this company.

On 12 March 2020 the subsidiary changed its name to XTB Yönetim Danışmanlığı Anonim Şirketi.

On 15 September 2020, the liquidation process of the company in Turkey has begun. The name of the company was changed to Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş.

Lirsar S.A in liquidacion, Uruguay

On 21 May 2014 the Parent Company acquired 100% of shares in Lisar S.A. with its seat in Uruguay. The capital from the subsidiary with accumulated profits was returned to the Parent Company on 14 December 2017. Until the date of report submission the company was not formally liquidated.

XTB Chile SpA, Chile

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

XTB International Limited, Belize

On 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. On 26 September 2019 the Parent Company acquired 500 000 shares in the increased share capital of the subsidiary while maintaining a 100% share in its capital The company provides brokerage services based on the obtained permission issued by the International Financial Service Commission.

XTB Services Limited, Cyprus

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

XTB Africa (PTY) Ltd., South Africa

On 10 July of 2018 the Parent Company established a subsidiary of XTB Africa (PTY) Ltd with its seat in RPA. The company hold 100% shares in a subsidiary. On 14 October 2019 the Parent Company acquired 100 shares in the increased capital of the subsidiary, maintaining 100% share in its capital. As at the date of report publication, the company did not conduct any operating activities and was in the process of obtaining a license to conduct brokerage activities.

XTB Services Asia Pte. Ltd., Singapore

On 19 August 2019 the Company established XTB Services Asia Pte. Ltd. with its seat in Singapore in which it owns 100% of shares. In April 2020 the Group started a liquidation process of the subsidiary XTB Service Asia Pte. Ltd. On 23 September 2020 the process of liquidation ended.

In the reporting period, i.e. from 1 January to 30 September 2020 and until the date of submitting this report, there were no changes in the structure of the X-Trade Brokers Dom Maklerski S.A. Group other than those described above.

5.2 Information on transactions with related parties

In 9 month period ended 30 September 2020 and 30 September 2019 were no related transactions concluded on other than arm's length basis.

The table below shows the Group's transactions and balances of settlements with related parties:

(in PLN'000)	30.09.2020 REVENUES	30.09.2020 RECEIVABLES	30.09.2019 REVENUES	31.12.2019 RECEIVABLES	30.09.2019 RECEIVABLES
Subsidiaries:					
XTB Limited (UK)	41 469	15 475	658	2 777	1 537
XTB Limited (CY)	7 935	9	2 056	94	149
X Open Hub Sp. z o.o.	1 603	370	2 849	482	997
XTB International Limited	75 160	1 777	11 603	5 579	4 138

(in PLN'000)	30.09.2019 COSTS	30.09.2019 LIABILITIES	30.09.2019 COSTS	31.12.2019 LIABILITIES	30.09.2019 LIABILITIES
Subsidiaries:					
XTB Limited (UK)	(12 208)	7 725	(8 339)	7 488	8 268
XTB Limited (CY)	(2 078)	657	(2 190)	364	286
X Open Hub Sp. z o.o.	(1 074)	111	(697)	93	115
XTB International Limited	(26 496)	7 942	(12 943)	2 253	6 725
XTB Services Limited	(22 674)	1 832	(10 687)	896	1 016

As at September 30 of 2020 the Group shows a balance of liabilities to Mr. Jakub Zabłocki in the amount of PLN 13.0 thousand due to the investment account held (as at December 31 of 2019: PLN 1.0 thousand, as at September 30 of 2019: PLN 1.0 thousand). In the period from January 1 to September 30 2020 the Group did not report any profit or loss on transactions in financial instruments concluded by Mr. Jakub Zabłocki. In addition, Mr. Jakub Zabłocki receives remuneration for an employment contract in a subsidiary in the United Kingdom. The gross salary and bonuses paid in the period from 1 January to 30 September 2020 amounted to PLN 1 175 thousand and in the corresponding period of 2019 it amounted to PLN 1 354 thousand.

5.3 Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 30 September 2020 and in the reporting period, i.e. from 1 January 2020 to 30 September 2020, neither the Parent Company nor any of its subsidiaries granted any warranties in respect of loans or advances or any guarantees to any third party or its subsidiary, whose combined value is significant.

5.4 The Management Board's position concerning the realization of previous published forecast of the results for the current

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2020

5.5 The information on the significant court proceedings, arbitration authority or public administration authority

As of 30 September 2020 and as at the submission date of this report the Parent company and its subsidiaries were not a party to any significant proceedings pending before arbitration authority. The most important of the ongoing proceedings were indicated below.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report the total value of the claims brought against the Company and/or the Group Companies amounted to PLN 8,4 million, which consists of one suit brought by the employee with the total value of PLN 700 thousand and six suits brought by clients with the total value of PLN 7,7 million. Below are presented the most significant, in the Company's view:

- on January 5 2018, the Financial Ombudsman received a request from the client to investigate the legitimacy of restoring by the Company of this client's margin in the amount of PLN 131 000, i.e. the amount resulting from the loss of transactions closed by the Company. Their closing took place as a result of the mechanism of closing the position after 365 days from the day of their opening. This mechanism has been described in the regulations on the provision of brokerage services. On February 19, 2019 a lawsuit in the case under consideration was filed with the District Court. On April 26, 2019 the Company lodged an appeal;
- law suit dated August 2019 regarding Company's alleged illegal actions delivered to the Company in December 2019 – value of the claim is PLN 7 million. In previous reports the Company informed that there was a possibility of filing a suit by one of the Company's clients who accused the Company of improper execution of the agreement concluded with Company for provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts, by allegedly delaying and interrupting execution of the transactions via the trading platforms provided. The management board finds client's claims groundless. The only reason for the loss of the customer was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients;
- XTB International Limited ("XTB International") with its registered office in Belize is a party to legal proceedings regarding the liquidation of the bank Choice Bank Limited (the "Bank") maintaining the bank account of XTB International. The bank account accumulated funds in the amount of USD 500 000 to serve as security capital for the license issued by the International Financial Services Commission Belize in accordance with local legal requirements. Pursuant to the decision of the standing committee of the Bank and the Bank's liquidator dated October 4, 2019,

53% of the funds accumulated on the bank account of XTB International will be returned to XTB International. An action regarding the qualification of the remaining 47% of funds accumulated on the bank account as a trust, and thus having priority over other creditors, was submitted to the court. On October 20, 2020 the Company received a payment in the amount of USD 432 604,62.

Proceedings against XFR Financial Ltd. (the company currently operating under the name XTRADE Europe Ltd.)

On November 18, 2016, the Company filed a lawsuit against XTRADE Europe Ltd. (formerly: XFR Financial Ltd. or "XFR") based in Cyprus for securing claims in connection with violation of the principles of fair competition, in which it brought, among others:

(i) forbidding XFR to use the word and figurative word "XTRADE" and (ii) forbidding XFR to use the word mark "XTRADE" as the domain name. The Court of Appeal in Warsaw secured the Company's claims against XTRADE Europe Ltd. for prohibiting XTRADE Europe Ltd. from using as a company designation or services (i) verbal and word-graphic designations "XTB", "X-Trade", "XTrade" , "X" and (ii) the word sign xtrade.eu. The company has applied to the Warsaw-Śródmieście District Court for enforcement due to the fact that XTRADE Europe Ltd. has not ceased to use as a company designation or provided services owned by the company, despite the relevant decision of the Court of Appeal in Warsaw of March 15 2017. On January 12, 2018, the District Court for Warsaw-Śródmieście in Warsaw issued a decision pursuant to which XTRADE Europe Ltd. was ordered to pay PLN 5,000 to the Company. There was also a threat of ordering payment to the Company in the event of any subsequent violation by the debtor of the obligation to comply with the decision of the Court of Appeals in Warsaw of 15 March 2017.

Therefore, on April 19, 2018, the Company applied to the District Court for an order against XTRADE Europe Ltd. for PLN 100 000 in connection with the failure by XTRADE Europe Ltd. to secure the security established by the Court of Appeal. During the enforcement proceedings, XTRADE Europe Ltd. closed its branch in Warsaw and declared that it had ceased to provide services to recipients in Poland. In connection with the decision of November 28, 2018, the District Court dismissed the Company's request and determined that, as at the date of issuing the decision, the XTRADE markings were no longer used in Poland by XTRADE Europe Ltd. By virtue of the decision of March 27, 2019 the District Court in Warsaw, he dismissed the company's complaint.

Before the District Court in Warsaw, from 12 April 2017, proceedings were pending due to the Company's action to prohibit XTRADE Europe Ltd. from violating the principles of fair competition, consisting in the unlawful use by the defendant as a company designation or as financial services, brokerage and consulting services. financial, brokerage and brokerage services, word and word and graphic markings "XTB", "X-Trade", "XTrade" and "X".

On July 12, 2019, the District Court in Warsaw, in a case against Xtrade Europe Ltd., issued a judgment in which: (i) ordered the defendant XTRADE EUROPE LTD to refrain from acts of unfair competition against the plaintiff X-TRADE Brokers Dom Maklerski S.A. in Warsaw, consisting in the unlawful use by the defendant as a company designation or of financial services rendered, financial intermediation and consultancy, brokerage and brokerage services, including services provided via the Internet, using specialized computer software, as well as training services, including in materials advertising and in the name of the Internet domain xtrade.com, as well as on the websites available at: www.xtrade.eu and xtrade.com, the following markings in the territory of the Republic of Poland: (a) the word markings "XTB", "X-Trade", "XTrade", "Xtrade"; (b) the symbols xtrade.eu and xtrade.com; (ii) ordered the defendant XTRADE EUROPE LTD to submit and publish, at his own expense and with his own effort, within 2 (two) months from the announcement of the final judgment in the case and after changing the name of the defendant's company pursuant to paragraph 1 of the final judgment, the statement on the decision referred to in the judgment content in the following media: a) "Gazeta Giełdy i Inwestorów Parkiet"; b) on the defendant's website - on the home page; c) on websites identified by domains: http://www.parkiet.com/, http: // www .gazetaprawna.pl / and http://rp.pl (iii) in the event that before the publication of the statement there was a change of the defendant company, the defendant in the content of the statement in place of the words "XTRADE EUROPE LTD" is obliged to use the name of the company current as of the date of publication statements; and (iv) authorized the plaintiff to publish the statement at the defendant's expense in the event of the defendant's failure to comply with the obligation to publish the statement on the content and within the time limits specified in paragraph 2 of the judgment, and obliged the defendant to reimburse the costs incurred by the plaintiff.

The verdict is partially invalid, an appeal was filed on behalf of the Company to the extent that the court dismissed the action for prohibiting Xtrade Europe Ltd. from using XTRADE graphic signs. As at 25.10.2019, no impact of the appeal from Xtrade Europe Ltd. was noted. To the extent that the judgment became final, an application for an enforcement clause was lodged. The executive title was delivered on October 16 this year. The non-contested judgment is enforceable by Xtrade Europe Ltd. – on February 3, 2020 the Company was requested to provide information on the status of enforcement of the judgement.

Before the Warsaw-Śródmieście District Prosecutor's Office in Warsaw (case reference PR 4 Ds.376.2017.TD), proceedings are pending based on the Company's application for prosecution in connection with the marketing of a counterfeit mark within the meaning of Art. 120 p.p. i.e. the XTB mark by employees and associates of XTRADE EUROPE LTD. The application was submitted on September 23, 2016. By decision of November 12, 2019, the Prosecutor discontinued the proceedings in the event of the offender being not detected. On December 3, 2019, a complaint was filed on behalf of the Company regarding the decision to discontinue. By the decision of April 6, 2020, served on May 20, 2020, the District Court dismissed the appeal. The discontinuation of the proceedings is final.

In addition, the Munich Regional Court, in a judgment of 25 July 2017, issued a ban on the use of the designations "XTRADE" and "XTRADE EUROPE Ltd." in Germany, confirming that the designations are confusingly similar to the trademarks reserved by the Company. In addition, Xtrade Europe Ltd. was also required to provide information on the extent and number of past use of the marks and to pay damages, the amount of which has not yet been determined. On April 19, 2018, the Court of Appeal dismissed the appeal of the Cypriot company - the verdict prohibiting the use of the XTRADE sign in Germany is final. As at the date of submitting this report, proceedings are still pending to order XTRADE Europe Ltd. to pay the costs of legal representation and to enforce a final judgment. Proceedings enforcing the ruling ban were pending before European Union Intellectual Property Office (EUIPO) as regards the annulment of conflicting marks of Xtrade Europe Ltd. On March 20, 2020, EUIPO issued a decision rejecting the application for a declaration of invalidity. On 19 May 2020, an appeal was filed with the Board of Appeal of EUIPO. Currently we are waiting for the decision of the authority.

On August 20, 2019, the Company filed a request for a settlement agreement covering PLN 1 400 000, consisting of: (a) PLN 800 000 for reimbursement of unjustified benefits by XTRADE EUROPE LTD. as a result of using conflicting signs as signs of goods or services of the enterprise; (b) PLN 600 000 as compensation for losses arising from the use of indications identical to those of the Company's enterprise and for lost profits in the form of remuneration for the use of the said signs. Proceedings in this case are currently pending before the District Court for the Capital City of Warsaw in Warsaw. On January 9, 2020, the first meeting took place. Due to the failure to provide the participant with the letter containing the summons to settle and the necessity of making another attempt by the Court, the second date of the meeting was set for 29 September 2020. The case was finished on September 29, 2020 – the parties have not reached a settlement.

Administrative and control proceedings

The Company and the Group Companies are party to several administrative and control proceedings related to the Group's business. The Company believes that below are presented the most significant among them:

- On September 27, 2018, the Company received information about imposition onto the Company pursuant to art. 167 para. 2 point 1 in connection with art. 167 para. 1 point 1 of the act on Trading in Financial Instruments a fine of PLN 9.9 million in connection with the violation of the law, in particular in the area of providing brokerage services to the Company's clients. In the Company's opinion, the imposition of a fine for above-mentioned fraud is not justifiable and is not reflected in the facts. The PFSA refused to take the evidence requested by the Company (including the expert's opinion) and did take into account independent expert's opinions submitted by the Company. Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board appealed the abovementioned decision by filing on October 29, 2018, complaint against the PFSA decision to Provincial Administrative Court (hereinafter the "PAC"). On June 6, 2019, the PAC dismissed the Company's plaint against the Commission's decision to impose a financial fine in the amount of PLN 9.9 million. The Court decision is not legally binding yet. After delivery by PAC a copy of the ruling along with its justification, the Company's Management Board decided to lodge a final cassation appeal to Supreme Administrative Court, which was lodged on August 16, 2019.
- By letter dated July 16, 2019, the French supervisory authority, AMF, informed about initiation of control at the Company's French branch pursuant to Article L.621-9 of the French Monetary and Financial Code in order to verify if the Company respects professional obligations. On July 19, 2019, inspection activities were initiated by AMF. The control was a comprehensive assessment of activity of the Company's branch in France, among others, based on the regulations of the MiFID II Directive, MIFIR Regulations, the European Securities and Markets Authority (ESMA) requirements and the French anti-corruption law Sapin II.

  On February 10, 2020, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company's branch in France, in the response to which on March 9, 2020 the Company lodged substantiated objections in accordance with the provisions in force. In a letter of October 9, 2020, the Company was notified of the commencement of administrative proceeding initiated by AMF, with regard to the irregularities detected during the AMF's inspection at the Company's branch in France. The Company was requested to present its position regarding the detected irregularities and the conducted implementations resulting from the protocol of February 10, 2020. Administrative proceeding conducted by AMF may lead to the imposition of penalties or other sanctions on the Company under the AMF supervisory powers.In a letter dated March 30, 2020, the German pension insurance institution, Deutsche Rentenversicherung, informed about the initiation of an inspection in the German branch of the Company starting from April 21, 2020 under paragraph 28p of the fourth book of the German Social Code (SGB IV). The subject of control is, *inter alia*, (i) correctness of contributions and social security reports, including adequate security in the event of the insolvency of loan agreements, fees under the Act on reimbursement of expenses and write-offs due to insolvency for the period from 1 January 2016 to 31 December 2019 (ii) determination of salaries subject to accident insurance and their allocation to individual risk points for a given insurer for the period from 1 January 2016 to 31 December 2019 (iii) taxes, contributions and reporting obligations under the Act on social insurance for artists (in German: Künstlersozialkasse) for the period from 1 January 2016 to 31 December 2019. As at the submission date of this report, the control has not been completed.

- As part of exercising supervisory powers, in a letter of May 29, 2020, the PFSA announced the initiation of an inspection starting from June 1, 2020. The subject of the inspection was to check whether the Company's operations comply with the law, regulations, conditions set out in permits and fair trading principles or the interests of the principals. The scope of the control covered the technical and organizational conditions of the business. On September 23, 2020, the Company received a control protocol in which the inspectors indicated two violations of the law. The Company, referring to the control protocol, undertook to exercise due diligence in order to eliminate the identified irregularities.. However, it cannot be excluded that the identified by PFSA irregularities in the Company's operations, may constitute the basis for, *inter alia*, initiation of administrative proceedings to impose penalties or other sanctions on the Company under the supervisory powers of the PFSA or other authorities.

Regulatory environment

The Group operates in a highly regulated environment imposing on it certain obligations regarding the respect of complying with many international and local regulatory and law provisions. The Group is subject to regulations concerning inter alia (i) sales practices, including customer acquisition and marketing activities, (ii) maintaining the capital at a certain level, (iii) practices applied in the scope of preventing money laundering and terrorist financing and procedures for customer identification (KYC), (iv) reporting duties to the regulatory authorities and reporting to the trade repository, (v) the obligations regarding the protection of personal data and professional secrecy, (vi) the obligations in the scope of investors protection and communicating of relevant information on the risks associated with the brokerage services, (vii) supervision over the Group's activity, (viii) inside information and insider dealing, preventing the unlawful disclosure of inside information, preventing market manipulation, and (ix) providing information to the public as the issuer.

The sections below describe the most relevant, from the Company's point of view, changes of regulatory obligations occurring during the last period covered by this report and the changes that will enter into force in the forthcoming period.

Act amending the Act on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies

On October 16, 2019, Sejm adopted an amendment to the Act on public offering and the conditions of financial instruments to organized trading, and on public companies. The most important assumptions: (a) the obligation to adopt a remuneration policy for members of the management board and supervisory board of a public company by the general meeting at least every four years - the solutions adopted in the policy should contribute to the implementation of the business strategy, long-term interests and stability of the company. The policy should include a description of fixed and variable components of remuneration, as well as bonuses and other monetary and non-monetary benefits that may be granted to members of the management board and the supervisory board. The supervisory board should prepare an annual remuneration report, which will then be reviewed by the general meeting; (b) obligations in transactions with related entities - the conclusion of a significant transaction requires the consent of the company's supervisory board or, if the articles of association provide so, a general meeting, while a significant transaction within the meaning of the amendment is a transaction concluded by the company with a related entity whose value exceeds 5% of the total assets Act on Accounting of September 29, 1994, established on the basis of the last approved financial statement of the company. If a significant transaction concerns the interests of a member of the supervisory board or a shareholder, respectively, he does not participate in making decisions to consent to the conclusion of this transaction. The company publishes information on a significant transaction on its website at the time of conclusion of the transaction at the latest. The information obligation excludes: (i) transactions concluded on market terms as part of the company's normal operations, (ii) transactions concluded with a 100% subsidiary, and (iii) transactions related to the payment of remuneration to members of the management board or the supervisory board due in accordance with the company's remuneration policy; (c) changes in the scope of shareholder identification - any public company will be able to apply to the National Depository for Securities, brokerage house or bank keeping the account for information about shareholders.

On November 5, 2019, the bill was signed by the President. Date of entry into force of the provisions is divided - part of the law appeared within 14 days of the announcement, part on January 1, 2020, and part will come into force on September 3, 2020. Due to the coronavirus epidemic which took place in the first half of 2020, on May 27, 2020, the Regulation of the Minister of Finance on setting a different date for the adoption by the company's general meeting of a resolution on the remuneration policy for members of the management board and supervisory board entered into force - in accordance with the Regulation, the deadline for implementing the remuneration policy was extended to August 31, 2020, however, irrespective of the above, the resolution on adopting the remuneration policy was adopted by the Company's General Meeting on April 20, 2020. The company exercises due diligence in order to comply with the obligations arising from the act amending the act on public offering and the conditions for introducing financial instruments to an organized trading system and public companies. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

The draft regulation of the Minister of Finance amending the regulation on internal capital, risk management system, supervisory and supervisory review and evaluation program, as well as the remuneration policy in a brokerage house

On April 9, 2020, the draft regulation of the Minister of Finance amending the regulation on internal capital, risk management system, supervisory and supervisory review and evaluation program, as well as the remuneration policy in a brokerage house, was published on the website of the Government Legislation Centre. The most important assumptions of the project: (i) determining the necessary changes in the national legal order in connection with the entry into force of the European Union legal regulations on capital requirements for financial institutions, the so-called CRD V/CRR II package; (ii) changing the settlement period of variable remuneration components; (iii) introducing additional criteria for the payment of variable remuneration components for members of the management board and senior management of the brokerage house. The project is currently at the review stage at the European Issues Commission.

The draft act amending the Banking Law and certain other acts, including the act on trading in financial instruments

On April 9, the draft act amending the Banking Law and certain other acts, including the act on trading in financial instruments, was published on the website of the Government Legislation Centre. The most important assumptions of the project: (i) implementation of EU law in connection with the entry into force of European Union legal regulations on capital requirements for financial institutions, the so-called CRD V / CRR II package; (ii) introducing a standard methodology and a simplified standard methodology for the assessment of interest rate risk; (iii) authorizing the Polish Financial Supervision Authority to dismiss a member of the management board of the brokerage house if a given person does not meet the requirements necessary to perform a given function; and (iv) clarifying the definition of a person whose professional activity has a significant impact on the risk profile of the brokerage house. The project is currently at the review stage.

The draft Act on the liability of collective entities for acts prohibited under penalty

On 11 January 2019, the government bill on the liability of collective entities for acts prohibited under penalty was submitted to the Sejm. The purpose of the draft Act is to increase the effectiveness of a tool for administering sanctions to collective entities, especially in the case of combating serious economic and fiscal crimes. The most important assumptions: (i) broadening the foundations of collective entities' responsibility - the inclusion in the act of behaviours recognized as the own behaviour of collective entities that characterizes the offense; (ii) the collective entity's liability for all acts prohibited under penalty as a crime or fiscal offense; (iii) resignation from the requirement to obtain a prior request, i.e. a conviction of a natural person; (iv) the company is also liable if the identity of the perpetrator has not been established; (v) unlimited, open catalogue of crimes; (vi) the company has the burden of proving that due diligence has been exercised; (vii) extension of the catalogue of penalties; (viii) compulsory management as a preventive measure; and (ix) whistle-blower protection. The project was directed to consultations.

Preventing use of the financial system for money laundering or terrorist financing - the so-called V AML Directive

On July 9, 2018, the Directive (EU) 2018/843 of the European Parliament and of the Council (hereinafter referred to as the "Directive V AML"), amending the Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (hereinafter referred to as the "IV AML Directive") and amending the Directives 2009/138/EC and 2013/36/EU came into force. The main assumption of the directive is to create within the European Union conditions for the efficient exchange of information in order to increase the effectiveness of counteracting money laundering and terrorist financing. In accordance with the assumptions of the Directive V AML, European Union member states were obliged to implement the provisions of the Directive V AML until January 10, 2020.

Polish legislator failed to transpose the provisions of Directive V AML within the required deadline. On March 4, 2020, a draft act amending the Act on Counteracting Money Laundering and Financing of Terrorism and some other acts (hereinafter referred to as the "Project") was published, which aims to implement the provisions of the AML V Directive into the Polish legal order. also numerous details of the provisions of the Act of March 1, 2018 on counteracting money laundering and terrorist financing (under the AML IV Directive. The most important assumptions of the Project include: (i) extension of the list of obligated institutions, (ii) changes in definitions, including the definition of the actual beneficiary and the group, (iii) extension of the catalogue of cases in whose obligated institutions apply financial security measures, (iv) expanding the catalogue of premises for a higher risk of money laundering and terrorist financing, and (v) changes in the scope of applying financial security measures. The project is currently at the stage of Legal Commission.

The Company exercised due diligence in order to comply with obligation under act on prevention of money laundering practices and financing of terrorism and the regulation on the transfer of information about transactions and a form identifying the obligated institution. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Draft act on the consideration of complaints and disputes of clients of financial market entities and on the Financial Education Fund

On September 21, 2020 on the website of the Government Legislation System a draft act on the consideration of complaints and disputes of clients of financial markets entities and on the Financial Education Fund was published. The purpose of the act is to increase the effectiveness of the proceedings in matters of protection of collective consumer interests. According to the assumptions, the act is to enter into force on January 1, 2021, except for some provisions which will come into force accordingly on November 16, 2020 and December 31, 2020. Main assumptions of the project: (i) most of the existing competences of the Financial Ombudsman will be passed to the President of the Office of Competition and Consumer Protection; (ii) the President of the Office of Competition and Consumer Protection will obtain competence to protect financial market entities' clients, which will include, *inter alia*, the possibility of intervening in individual cases arising from the submission of complaints; and (iii) out-of-court proceedings will be held by the coordinator for out-of-court dispute resolution between the client and the financial market entity, who will be working next to the President of the Office of Competition and Consumer Protection. The project is currently at the stage of review.

Draft act amending the Trading in financial instruments act and other acts

On October 23, 2020 on the website of the Government Legislation System a draft act amending the Trading in financial instruments act and other acts was published. According to the assumptions, the act is to enter into force of June 26, 2021. Main assumptions of the project: (i) division of the investment firms into the categories based on their size and connections with other financial and economic entities; (ii) the application of prudential supervision for investment firms which, due to their size and interconnectedness with other financial and economic entities, are not considered systemically important entities; (iii) regulating, by appropriate application of the provisions of the CRR, the structure of own funds of investment companies; (iv) an obligation for small and unrelated investment firms to hold their own funds equal to their fixed minimum capital requirement or one quarter of their fixed overheads calculated on the basis of their activities in the previous year; (v) setting a minimum own funds requirement for tier two investment firms corresponding to their fixed minimum capital requirement, one quarter of their fixed overheads for the previous year or the sum of their requirement on the basis of a set of risk factors tailored to the specificity of investment firms; (vi) obliging investment firms to comply with liquidity requirements, resulting in mandatory internal procedures to monitor and manage liquidity requirements; (vii) an obligation to disclose relevant information, for example on own funds and liquidity requirements; (viii) making the capital requirements of the investment firm dependent on the type of activity authorized or authorized by the investment firm to provide or operate; and (ix) obliging investment firms to demonstrate compliance with a fixed minimum capital requirement at all times equal to the required share capital. The project is currently at the stage of review.

INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	30.09.2019 (UNAUDITED)
Result of operations on financial instruments	127 925	53 700	620 215	125 965
Income from fees and charges	824	1 343	2 875	4 466
Other income	5	30	84	42
Total operating income	128 754	55 073	623 174	130 473
Salaries and employee benefits	(19 596)	(17 054)	(72 821)	(50 005)
Marketing expense	(9 872)	(4 486)	(31 225)	(14 616)
Other external services	(13 444)	(8 726)	(40 927)	(26 099)
Costs associated with maintenance and lease of buildings	(625)	(625)	(1 816)	(1 694)
Amortization and depreciation	(1 654)	(1 511)	(4 953)	(4 235)
Taxes and statutory fees	(787)	(326)	(1 916)	(1 637)
Commission expenses	(3 116)	(1 611)	(10 214)	(4 729)
Other costs	(382)	(1 568)	(1 390)	(2 637)
Total operating expenses	(49 476)	(35 907)	(165 262)	(105 652)
Profit (loss) on operating activities	79 278	19 166	457 912	24 821
Impairment of investments in subsidiaries	(469)	1 745	(2 095)	(505)
Finance income	(27)	2 074	4 129	2 921
Finance costs	(99)	435	(264)	(162)
Profit (loss) before tax	78 683	23 420	459 682	27 075
Income tax	(10 835)	(5 485)	(79 203)	(6 906)
Net profit (loss)	67 848	17 935	380 479	20 169
Other comprehensive income	253	486	1 025	247
Items which will be reclassified to profit (loss) after meeting specific conditions	253	486	1 025	247
- foreign exchange differences on translation of foreign operations	*(174)*	*(408)*	*(894)*	*(219)*
- foreign exchange differences on valuation of separated equity	*527*	*1 104*	*2 369*	*575*
- deferred income tax	*(100)*	*(210)*	*(450)*	*(109)*
Total comprehensive income	68 101	18 421	381 504	20 416
Earnings per share:				
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	0,58	0,15	3,24	0,17
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	0,58	0,15	3,24	0,17
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	0,58	0,15	3,24	0,17
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	0,58	0,15	3,24	0,17

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	30.09.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.09.2019 (UNAUDITED)
ASSETS			
Cash and cash equivalents	1 359 329	855 811	816 947
Financial assets at fair value through P&L	393 299	136 549	139 037
Investments in subsidiaries	36 039	54 463	56 352
Income tax receivables	2 604	71	2 290
Financial assets at amortised cost	24 378	12 747	11 464
Prepayments and deferred costs	6 429	3 541	5 123
Intangible assets	516	380	373
Property, plant and equipment	11 347	13 138	13 518
Deferred income tax assets	7 534	7 189	7 480
Total assets	1 841 475	1 083 889	1 052 584
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to clients	880 703	519 550	523 457
Financial liabilities held for trading	39 276	19 159	16 100
Income tax liabilities	442	1 335	50
Liabilities due to lease	8 352	10 119	11 381
Other liabilities	37 794	19 446	17 462
Provisions for liabilities	1 466	1 452	1 509
Deferred income tax provision	22 843	15 561	18 954
Total liabilities	990 876	586 622	588 913
Equity			
Share capital	5 869	5 869	5 869
Supplementary capital	71 608	71 608	71 608
Other reserves	390 592	364 619	364 619
Foreign exchange differences on translation	2 051	1 026	1 406
Retained earnings	380 479	54 145	20 169
Total equity	850 599	497 267	463 671
Total equity and liabilities	1 841 475	1 083 889	1 052 584

INTERIM CONDENDSED STATEMENT OF CHANGES IN EQUITY

Interim condensed statement of changes in equity for the period from 1 January 2020 to 30 September 2020

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2020	5 869	71 608	364 619	1 026	54 145	497 267
Total comprehensive income for the financial year						
Net profit (loss)	–	–	–	–	380 479	380 479
Other comprehensive income	–	–	–	1 025	–	1 025
Total comprehensive income for the financial year	–	–	–	1 025	380 479	381 504
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	25 973	–	(54 145)	(28 172)
- dividend payment	–	–	–	–	(28 172)	(28 172)
- transfer to other reserves	–	–	25 973	–	(25 973)	–
As at 31 September 2020 (unaudited)	5 869	71 608	390 592	2 051	380 479	850 599

Statement of changes in equity for the period from 1 January 2019 to 31 December 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2019	5 869	71 608	334 760	1 159	49 814	463 210
Total comprehensive income for the financial year						
Net profit	–	–	–	–	54 145	54 145
Other comprehensive income	–	–	–	(133)	–	(133)
Total comprehensive income for the financial year	–	–	–	(133)	54 145	54 012
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	29 859	–	(49 814)	(19 955)
- dividend payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 31 December 2019 (audited)	5 869	71 608	364 619	1 026	54 145	497 267

Interim condensed statement of changes in equity for the period from 1 January 2019 to 30 September 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2019	5 869	71 608	334 760	1 159	49 814	463 210
Total comprehensive income for the financial year						
Net profit (loss)	–	–	–	–	20 169	20 169
Other comprehensive income	–	–	–	247	–	247
Total comprehensive income for the financial year	–	–	–	247	20 169	20 416
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	29 859	–	(49 814)	(19 955)
- dividend advance payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 31 September 2019 (unaudited)	5 869	71 608	364 619	1 406	20 169	463 671

INTERIM CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	NINE-MONTH PERIOD ENDED 30.09.2020 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)
Cash flows from operating activities		
Profit (loss) before tax	459 682	27 075
Adjustments:		
(Gain) Loss on sale or disposal of items of property, plant and equipment	363	(18)
Amortization and depreciation	4 953	4 235
Foreign exchange (gains) losses from translation of own cash	(5 640)	(3 036)
(Gain) Loss on investment activity	15 758	(2 972)
Other adjustments	761	257
Changes		
Change in provisions	14	460
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading	(236 633)	(41 200)
Change in balance of restricted cash	(306 865)	(96 807)
Change in financial assets at amortised cost	(11 631)	68
Change in balance of prepayments and accruals	(2 888)	(2 772)
Change in balance of amounts due to clients	361 153	118 257
Change in balance of other liabilities	18 348	(3 212)
Cash from operating activities	297 375	335
Income tax paid	(75 692)	(330)
Interests	221	278
Net cash from operating activities	221 904	283
Cash flow from investing activities		
Proceeds from sale of items of property, plant and equipment	–	14
Expenses relating to payments for property, plant and equipment	(2 150)	(1 775)
Expenses relating to payments for intangible assets	(296)	(37)
Expenses relating to payments for investments in subsidiaries	–	(1 993)
Dividends received from subsidiaries	2 666	3 477
Net cash from investing activities	220	(314)
Cash flow from financing activities		
Payments of liabilities under finance lease agreements	(2 718)	(2 232)
Interest paid under lease	(221)	(278)
Dividend paid to owners	(28 172)	(19 955)
Net cash from financing activities	(31 111)	(22 465)
Increase (Decrease) in net cash and cash equivalents	191 013	(22 496)
Cash and cash equivalents – opening balance	435 039	412 950
Effect of FX rates fluctuations on balance of cash in foreign currencies	5 640	3 037
Cash and cash equivalents – closing balance	631 692	393 491

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