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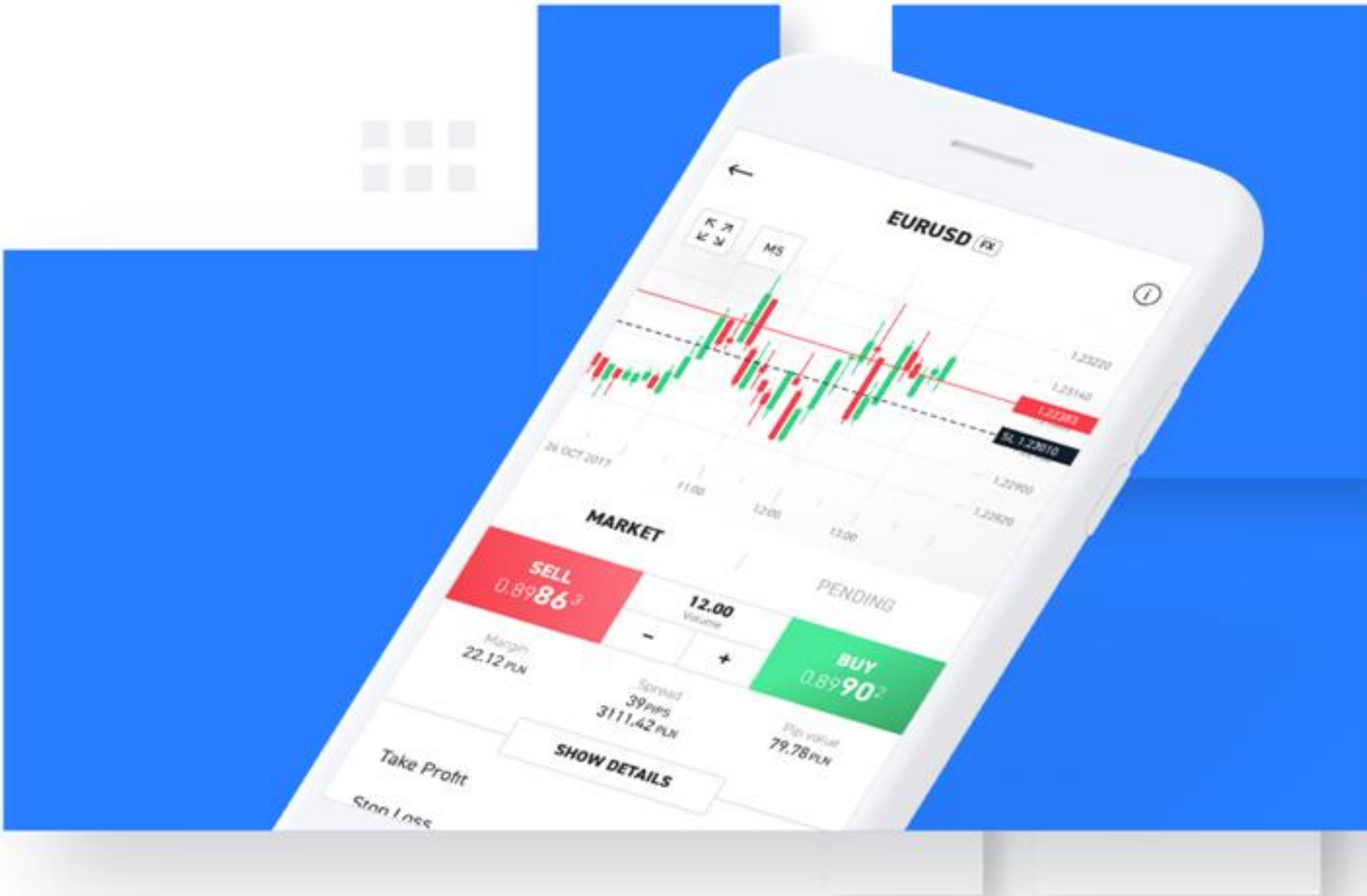

REPORT FOR THE 3RD QUARTER 2019

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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Consolidated comprehensive income statement:				
Total operating income	149 733	245 515	34 752	57 721
Profit on operating activities	23 165	113 885	5 376	26 774
Profit before tax	28 353	120 419	6 581	28 311
Net profit	20 663	97 498	4 796	22 922
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,18	0,83	0,04	0,20
Consolidated cash flow statement:				
Net cash from operating activities	(8 980)	138 412	(2 084)	32 541
Net cash from investing activities	(2 140)	(796)	(497)	(187)
Net cash from financing activities	(23 104)	(69)	(5 362)	(16)
Increase/(Decrease) in net cash and cash equivalents	(34 224)	137 547	(7 943)	32 337

	IN PLN'000		IN EUR'000	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Consolidated statement of financial position:				
Total assets	1 106 757	970 074	253 054	225 599
Total liabilities	650 086	514 918	148 639	119 748
Share capital	5 869	5 869	1 342	1 365
Equity	456 671	455 156	104 415	105 850
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)	3,89	3,88	0,89	0,90

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: 4,3086;
  - for the comparative period: 4,2535;
- 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: 4,3736;
  - for the comparative period: 4,3000.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)
Result of operations on financial instruments	6.1	59 792	46 014	145 229	240 330
Income from fees and charges	6.2	1 130	1 573	4 462	5 114
Other income		30	(9)	42	71
Total operating income	6	60 952	47 578	149 733	245 515
Salaries and employee benefits	7	(21 368)	(19 681)	(61 898)	(58 797)
Marketing	8	(8 735)	(8 669)	(27 494)	(25 444)
Other external services	9	(5 737)	(5 605)	(17 098)	(18 334)
Costs of maintenance and lease of buildings		(884)	(1 946)	(2 416)	(5 861)
Amortisation and depreciation	16,17	(1 795)	(883)	(5 033)	(3 137)
Taxes and fees		(551)	(912)	(2 081)	(1 835)
Commission expenses	10	(2 143)	(1 609)	(6 047)	(5 643)
Other costs		(1 767)	(9 532)	(4 501)	(12 579)
Total operating expenses		(42 980)	(48 837)	(126 568)	(131 630)
Profit (loss) on operating activities		17 972	(1 259)	23 165	113 885
Finance income	11	2 408	(1 062)	5 640	9 257
Finance costs	11	860	733	(452)	(2 723)
Profit (loss) before tax		21 240	(1 588)	28 353	120 419
Income tax	26	(5 733)	(1 316)	(7 690)	(22 921)
Net profit (loss)		15 507	(2 904)	20 663	97 498
Other comprehensive income		3 312	(7 314)	807	(8 768)
Items which will be reclassified to profit (loss) after meeting specific conditions		3 312	(7 314)	807	(8 768)
- foreign exchange differences on translation of foreign operations		*2 418*	*(5 949)*	*341*	*(8 828)*
- foreign exchange differences on valuation of separated equity		*1 104*	*(1 685)*	*575*	*74*
- deferred income tax		*(210)*	*320*	*(109)*	*(14)*
Total comprehensive income		18 819	(10 218)	21 470	88 730
Net profit attributable to shareholders of the Parent Company		15 507	(2 904)	20 663	97 498
Total comprehensive income attributable to shareholders of the Parent Company		18 819	(10 218)	21 470	88 730
Earnings per share:					
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	25	0,14	(0,03)	0,18	0,83
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,14	(0,03)	0,18	0,83
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	25	0,14	(0,03)	0,18	0,83
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,14	(0,03)	0,18	0,83

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	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	13	436 800	467 987	504 660
Clients' cash and cash equivalents	13	481 203	363 908	340 127
Financial assets at fair value through P&L	14	148 919	114 279	101 519
Income tax receivables		2 550	3 068	1 467
Financial assets at amortized cost	15	6 906	5 005	5 356
Prepayments and deferred costs		5 829	3 049	4 687
Intangible assets	16	571	716	1 042
Property, plant and equipment	17	14 660	2 517	2 561
Deferred income tax assets	26.2	9 319	9 545	10 588
Total assets		1 106 757	970 074	972 007
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	18	576 859	447 841	419 876
Financial liabilities held for trading	19	20 135	28 227	16 241
Income tax liabilities		123	232	281
Liabilities due to lease	20	12 075	37	59
Other liabilities	21	18 600	23 744	31 849
Provisions for liabilities	22	3 300	1 980	1 795
Deferred income tax provision	26.2	18 994	12 857	12 834
Total liabilities		650 086	514 918	482 935
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	364 757	334 898	334 898
Foreign exchange differences on translation	23	(20 672)	(21 479)	(24 674)
Retained earnings		35 109	64 260	101 371
Equity attributable to the owners of the Parent Company		456 671	455 156	489 072
Total equity		456 671	455 156	489 072
Total equity and liabilities		1 106 757	970 074	972 007

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 2019 to 30 September 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23,24	23	24	23,24	
As at 1 January 2019	5 869	71 608	334 898	(21 479)	64 260	455 156	455 156
Total comprehensive income for the financial year							
Net profit	–	–	–	–	20 663	20 663	20 663
Other comprehensive income	–	–	–	807	–	807	807
Total comprehensive income for the financial year	–	–	–	807	20 663	21 470	21 470
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	29 859	–	(49 814)	(19 955)	(19 955)
- dividend payment	–	–	–	–	(19 955)	(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	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.

Consolidated statement of changes in equity for the period from 1 January 2018 to 31 December 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23,24	23	24	23,24	
As at 1 January 2018	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342
Total comprehensive income for the financial year							
Net profit	–	–	–	–	101 471	101 471	101 471
Other comprehensive income	–	–	–	(5 573)	–	(5 573)	(5 573)
Total comprehensive income for the financial year	–	–	–	(5 573)	101 471	95 898	95 898
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	86 906	–	(127 990)	(41 084)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–	–
- covering losses from previous years	–	–	(490)	–	490	–	–
As at 31 December 2018 (audited)	5 869	71 608	334 898	(21 479)	64 260	455 156	455 156

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 2018 to 30 September 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23	23	23	23	
As at 1 January 2018	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342
Total comprehensive income for the financial year							
Net profit	–	–	–	–	97 498	97 498	97 498
Other comprehensive income	–	–	–	(8 768)	–	(8 768)	(8 768)
Total comprehensive income for the financial year	–	–	–	(8 768)	97 488	88 730	88 730
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	86 906	–	(86 906)	–	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–	–
As at 30 September 2018 (unaudited)	5 869	71 608	334 898	(24 674)	101 371	489 072	489 072

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 30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		28 353	120 419
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		(22)	(28)
Amortization and depreciation	16,17	5 033	3 137
Foreign exchange (gains) losses from translation of own cash		(3 036)	(17)
Other adjustments	28.1	817	(8 735)
Changes			
Change in provisions		1 320	129
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(42 732)	1 908
Change in balance of restricted cash		(117 295)	38 344
Change in financial assets at amortised cost		(1 901)	(1 347)
Change in balance of prepayments and accruals		(2 780)	(1 471)
Change in balance of amounts due to customers		129 018	(1 524)
Change in balance of other liabilities		(5 144)	10 064
Cash from operating activities		(8 369)	160 879
Income tax paid		(918)	(22 467)
Interests		307	–
Net cash from operating activities		(8 980)	138 412
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		14	71
Expenses relating to payments for property, plant and equipment	17	(2 115)	(831)
Expenses relating to payments for intangible assets	16	(39)	(36)
Net cash from investing activities		(2 140)	(796)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(2 842)	(69)
Interest paid under lease		(307)	–
Dividend paid to owners		(19 955)	–
Net cash from financing activities		(23 104)	(69)
Increase (Decrease) in net cash and cash equivalents		(34 224)	137 547
Cash and cash equivalents – opening balance		467 987	367 096
Effect of FX rates fluctuations on balance of cash in foreign currencies		3 037	17
Cash and cash equivalents – closing balance	13	436 800	504 660

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, organizačni 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:

COMPANY NAME	CONSOLIDATION METHOD	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL 30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (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%
X Trade Brokers Menkul Değerler 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%
XTB Technologies Sp. z o.o. in liquidation	Full	Poland	100%	100%	100%
XTB Africa (PTY) Ltd.	Full	South Africa	100%	100%	–

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 Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital.

On 17 April and on 16 May 2014 the Parent Company acquired 100% shares in X Trade Brokers Menkul Değerler A.Ş. with its registered office in Turkey, as a result of which on 30 April 2014 it took control over the company. The acquisition of 100% of the shares led to taking up control by the Parent Company. 12 999 996 shares were taken up against the loan granted to Jakub Zabłocki for the purchase of the entity; as at the moment of settlement, the loan was PLN 27 591 thousand. The remaining four shares were purchased with cash. The value of shares taken up by way of settlement against the loan amounted to PLN 28 081 thousand, the shares purchased with cash amounted to PLN 8,88. The fair value of the consideration paid was PLN 28 081 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method, in accordance with the accounting policy adopted for transactions under joint control. As at the acquisition date particular net assets of the acquired company X Trade Brokers Menkul Değerler A.Ş. were measured at fair value.

On 19 April 2018 the Management Board of Parent Company decided to resume an action to terminate the activities on the Turkish market and to liquidate 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).

In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take action, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of

Turkish Lira which fluctuates, therefore as at the date of these consolidated financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future. As at 30 September 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN 21 841 thousand (ref note 23).

On 17 February 2017 the Parent Company established XTB Chile SpA. The 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 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.

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 25 September 2019 the Parent Company acquired 500 000 new shares of value USD 500 000 in the capital increase of its subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital.

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 an extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. The liquidation of this subsidiary will make no material impact to the Group's consolidated financial statements.

On 10 July 2018 the Parent Company established XTB Africa (PTY) Ltd. with its seat in South Africa. The Company owns 100% of shares in subsidiary. As at the date of publication of this report the Company did not conduct any operating activities.

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 Frańczak	Board Member	31.08.2012	resigned from office on 25 April 2018
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 International Financial Reporting Standards accepted by the European Union ("IFRS") comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The interim condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2019 to 30 September 2019 with comparative data for the period from 1 January 2018 to 30 September 2018 and as at 31 December 2018 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 held for sale 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 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 the IFRS.

The interim condensed consolidated financial statements do not cover all information and disclosures required 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 2018.

The interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 7 November 2019. Drafting these interim condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

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 Going concern

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 interim 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 subsidiary in Turkey and X Trading Technologies Sp. z o.o. described in note 1.2.

2.4 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.

2.5 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 2018, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2019.

For the first time the Group applied IFRS 16 Leases ("IFRS 16") effective from 1 January 2019.

Other new or amended standards and interpretations that apply for the first time in 2019 have no material impact on Group's interim condensed consolidated financial statements.

- IFRS 16 Leases

  International Financial Reporting Standard 16 Leases ("IFRS 16") was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure.

  IFRS 16 introduces a unitary model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. At the commencement date, the lessee recognizes an asset representing the right to use the underlying asset and a liability to make lease payments.

  As of the effective date of the new standard, i.e. on 1 January 2019, the Group recognized the right to use underlying assets and liabilities due to lease in the amount of PLN 14 879 thousand.

  <u>Identifying a lease</u>

  At new contract inception, the Group assesses whether the contract is a lease or whether it contains a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to assess if an agreement transfers the right to control the use of an identified asset for a given period, the Group shall determine whether throughout the entire period of use the customer enjoys the following rights:

  a) the right to obtain substantially all economic benefits from the use of the identified asset and

  b) the right to manage the use of the identified asset.

  Should the Group have the right to control the use of an identified asset for part of the duration of an agreement only, the agreement contains a lease in respect of this part of the period.

  Rights resulting from lease, rental, hire or other agreements which meet the definition of a lease as per IFRS 16 are recognised as right of use underlying assets within the framework of non-current assets with a corresponding lease liabilities.

  <u>Initial recognition and measurement</u>

  The Group recognises the right of use asset as well as the lease liability on the date of commencement of the lease.

  On the date of commencement the Group measured the right of use asset at cost.

  The cost of the right of use asset is inclusive of the following:

  a) the amount of the initial measurement of the lease liability,

b) all lease payments paid on or before the date of commencement, less any lease incentives received,

c) all initial costs directly incurred by the lessee, and

d) estimated costs to be incurred by the lessee in connection with the dismantling and removal of underlying assets, the refurbishment of premises within which they were located, or the refurbishment of underlying assets to the condition required by the terms and conditions of the lease.

Lease payments included in the evaluation of lease liability include:

- fixed lease payments;

- variable lease payments, which depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts that are expected to be paid by the lessee as part of the guaranteed residual value;

- the call exercise price, should it be assumed with reasonable certainty that the Group shall decide to exercise the call option;

- penalty payments for termination of a lease, unless it can be assumed with reasonable certainty that the Group shall not terminate the lease.

Variable payments, which do not depend on an index or a rate should not be taken into account when calculating lease liability. Such payments are recognised in the profit or loss in the period of the occurrence which renders them payable.

The lease liability on the commencement date shall be calculated on the basis of the current lease payments that are payable by that date and discounted by the marginal interest rates of the lessee.

The Group does not discount lease liabilities by the lease interest rate as the calculation of such rates requires information known only to the lessor (the non-guaranteed residual value of the leased asset as well as the direct costs incurred by the lessor).

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

a) the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant basic rate for the given currency, as well as

b) the Group's credit risk premium based on the credit margin calculated inclusive of the credit risk segmentation of all companies which have entered into lease agreements.

Subsequent measurement

After the commencement date, the lessee measures the right of use asset applying the cost model.

In applying the cost model, the lessee shall measure the cost of the right of use asset:

a) less any accumulated depreciation and accumulated impairment losses; and

b) adjusted in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

After the date of commencement the lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability,

b) decreasing the carrying amount to reflect the leasing payments made, and

c) remeasuring of the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

The Group shall remeasure the lease liability in cases where there is a change in future lease payments as a result of a change in the index or rate used to determine lease payments (e.g. a change in payment associated with the right of perpetual use), in cases where there is a change in the amount expected by the Group to be payable under the residual amount guarantee, or if the Group reassesses the likelihood of the exercise of the call option, or the extension or termination of the lease.

Updated of the lease liability also adjusts the value of the right of use asset. In a situation where the carrying amount of the right of use asset has been reduced to zero, further reductions in the measurement of the lease liability shall be recognised by the Group as profit or loss.

Depreciation

The right of use asset is depreciated linearly over the shorter of the following two periods: the period of lease or the useful life of the underlying asset. However in cases where the Group can be reasonably sure that it will regain ownership of the asset prior to the end of the lease term, right of use shall be depreciated from the day of commencement of the lease until the end of the useful life of the asset.

Impairment

The Group applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Simplifications and practical solutions in the application of IFRS 16

Short-term lease

The Group applies a practical solution to short-term lease contracts, which are characterised by contract term to 12 months.

Simplifications regarding these contracts involve the settlement of lease payments as costs:

- on a straight-line basis, for the duration of the lease agreement, or

- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

Leases of low-value assets

The Group does not apply the rules concerning recognition, measurement and presentation outlined in IFRS 16 to lease agreements of low-value assets. Low-value assets are considered to be those which have a value when new not higher than PLN 43 thousand translated at the exchange rate of the first day of application, i.e. 1 January 2019 (representing EUR 10 thousand) or the equivalent value in another currency as per the average closing rate of exchange of the National Bank of Poland at the moment of initial recognition of a contract.

Simplifications in respect of such contracts are due to the settlement of costs on a straight-line basis for the term of the lease contract.

An asset covered by a lease must not be counted as a low-value asset if the asset would typically not be of low value when new. As low-value items, the Group includes for example: coffee machines, printers and small items of furniture.

The underlying asset may have a low-value only if:

a) the lessee may benefit from use of the underlying asset itself or with other resources which are readily available to him, and

b) the underlying asset is not highly dependent on or related to other assets.

- IFRIC 23 Uncertainty over Income Tax Treatments

  The interpretation explains how to apply the recognition and measurement requirements in IAS 12, income taxes, if there is uncertainty about how to account for income tax.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation

  The changes allow the entities to value individual financial assets from the so-called the right to early repayment with negative compensation at amortized cost or at fair value through other comprehensive income, if a specified condition is met - instead of at fair value through profit or loss.

- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures

  Amendments to IAS 28 clarify that an entity applies IFRS 9 “Financial Instruments” to other financial instruments in an associate or joint venture to which the equity method is not applied. These instruments include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. In amendments to IAS 28 it has been clarified that the requirements of IFRS 9 apply to long-term interests before an entity applies share of losses requirements from IAS 28 and in applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

- Annual Improvements to IFRS Standards 2015-2017 Cycle

  Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

  IFRS 3 Business Combinations - Previously held Interests in a joint operation

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

IFRS 11 Joint Arrangements - Previously held Interests in a joint operation

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement

  Amendments to IAS 19 specify how an entity determines pension expenses when changes to a defined benefit pension plan occur. IAS 19 'Employee Benefits' specifies how an entity accounts for a defined benefit plan. When a change to a plan – an amendment, curtailment or settlement takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

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;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 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;
- 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;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 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.

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.

Disposal of subsidiaries or termination of their activities

The Group makes significant judgements in the scope of classification of investment in X Trade Brokers Menkul Degerler A.Ş. as capable of conducting operations or immediate reviving its operations. The assessment is based on the maintained operational and IT infrastructure as at 30 September 2019 as well as the identified indications of providing favourable reduced regulations for the investment companies by the Turkish regulator described in note 1.2.

Revenue recognition

Transaction price is determined at fair value. Variable remuneration, liabilities due to reimbursements and other in the case of the Group do not occur.

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 2018, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2019.

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	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
CFDs				
Index CFDs	21 937	8 786	94 532	109 014
Currency CFDs	31 125	10 445	36 461	68 066
Commodity CFDs	5 256	27 865	11 206	60 183
Stock CFDs	1 207	187	2 369	2 455
Bond CFDs	404	(5)	1 067	317
Total CFDs	59 929	47 278	145 635	240 035
Options				
Currency options	–	–	–	3 010
Index options	–	–	–	832
Commodity options	–	–	–	104
Bond options	–	–	–	1
Total options	–	–	–	3 947
Shares and listed derivative instruments	268	46	668	12
Gross gain on transactions in financial instruments	60 197	47 324	146 303	243 994
Bonuses and discounts paid to customers	(61)	(1 049)	(150)	(2 631)
Commission paid to cooperating brokers	(344)	(261)	(924)	(1 033)
Net gain on transactions in financial instruments	59 792	46 014	145 229	240 330

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.

6.2 Income from fees and charges

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Fees and charges from institutional clients	696	1 034	3 206	3 006
Fees and charges from retail clients	434	539	1 256	2 108
Total income from fees and charges	1 130	1 573	4 462	5 114

6.3 Geographical areas

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Operating income				
Central and Eastern Europe	34 252	27 976	78 955	132 694
- including Poland	*25 211*	*18 265*	*61 423*	*82 264*
Western Europe	22 934	14 295	59 870	97 428
- including Spain	*11 247*	*5 946*	*32 434*	*35 671*
Latin America and Turkey	3 766	5 307	10 908	15 393
Total operating income	60 952	47 578	149 733	245 515

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	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Salaries	(17 091)	(16 284)	(49 866)	(48 243)
Social insurance and other benefits	(2 839)	(2 638)	(8 721)	(8 090)
Employee benefits	(1 438)	(759)	(3 311)	(2 464)
Total salaries and employee benefits	(21 368)	(19 681)	(61 898)	(58 797)

8. Marketing

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Marketing online	(8 320)	(7 606)	(25 406)	(20 916)
Marketing offline	(415)	(1 063)	(2 077)	(4 408)
Advertising campaigns	–	–	–	(99)
Competitions for clients	–	–	(11)	(21)
Total marketing	(8 735)	(8 669)	(27 494)	(25 444)

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	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Support database systems	(1 837)	(1 717)	(5 406)	(4 682)
Market data delivery	(1 306)	(1 683)	(4 044)	(3 938)
Legal and advisory services	(1 487)	(1 059)	(3 234)	(3 372)
Internet and telecommunications	(671)	(654)	(1 911)	(1 999)
Accounting and audit services	(360)	(363)	(1 369)	(1 271)
IT support services	40	(35)	(401)	(778)
Recruitment	(70)	(85)	(211)	(470)
Postal and courier services	(38)	(64)	(125)	(117)
Translations	3	12	(63)	(88)
Other external services	(11)	43	(334)	(1 619)
Total other external services	(5 737)	(5 605)	(17 098)	(18 334)

10. Commission expenses

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Bank commissions	(1 508)	(1 134)	(3 925)	(3 424)
Stock exchange fees and charges	(547)	(369)	(1 875)	(1 907)
Commissions of foreign brokers	(88)	(106)	(247)	(312)
Total commission expenses	(2 143)	(1 609)	(6 047)	(5 643)

11. Finance income and costs

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Interest income				
Interest on own cash	1 346	1 605	4 171	4 676
Interest on customers' cash	213	125	563	386
Total interest income	1 559	1 730	4 734	5 062
Foreign exchange gains	846	(2 792)	846	4 189
Other finance income	3	–	60	6
Total finance income	2 408	(1 062)	5 640	9 257

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Interest expense				
Interest paid to customers	(20)	(36)	(64)	(138)
Interest paid under lease agreements	(101)	–	(307)	–
Other interest	(37)	(8)	(67)	(27)
Total interest expense	(158)	(44)	(438)	(165)
Foreign exchange losses	1 030	780	–	(2 544)
Other finance costs	(12)	(3)	(14)	(14)
Total finance costs	860	733	(452)	(2 723)

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 THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
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 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 NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
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 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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT THREE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	42 657	3 357	46 014	46 014
CFDs				
Index CFDs	9 869	(1 083)	8 786	8 786
Currency CFDs	10 624	(179)	10 445	10 445
Commodity CFDs	22 841	5 024	27 865	27 865
Stock CFDs	(7)	194	187	187
Bond CFDs	(22)	17	(5)	(5)
Shares and listed derivative instruments	46	–	46	46
Bonuses and discounts paid to clients	(433)	(616)	(1 049)	(1 049)
Commissions paid to cooperating brokers	(261)	–	(261)	(261)
Fee and commission income	539	1 034	1 573	1 573
Other income	(9)	–	(9)	(9)
Total operating income	43 187	4 391	47 578	47 578
Salaries and employee benefits	(19 051)	(630)	(19 681)	(19 681)
Marketing expense	(8 587)	(82)	(8 669)	(8 669)
Other external services	(5 239)	(366)	(5 605)	(5 605)
Cost of maintenance and lease of buildings	(1 915)	(31)	(1 946)	(1 946)
Amortization and depreciation	(879)	(4)	(883)	(883)
Taxes and fees	(907)	(5)	(912)	(912)
Commission expense	(1 589)	(20)	(1 609)	(1 609)
Other expenses	(9 524)	(8)	(9 532)	(9 532)
Total operating expenses	(47 691)	(1 146)	(48 837)	(48 837)
Operating profit (loss)	(4 504)	3 245	(1 259)	(1 259)
Finance income	–	–	–	(1 062)
Finance costs	–	–	–	733
Profit before tax	–	–	–	(1 588)
Income tax	–	–	–	(1 316)
Net profit	–	–	–	(2 904)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED) (IN PLN'000)	**RETAIL OPERATIONS**	**INSTITUTIONAL OPERATIONS**	**TOTAL REPORTING SEGMENTS**	**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**
Net result on transactions in financial instruments	227 952	12 378	240 330	240 330
CFDs				
Index CFDs	105 855	3 159	109 014	109 014
Currency CFDs	66 629	1 437	68 066	68 066
Commodity CFDs	51 561	8 622	60 183	60 183
Stock CFDs	1 835	620	2 455	2 455
Bond CFDs	343	(26)	317	317
Options				
Currency options	3 010	–	3 010	3 010
Index options	832	–	832	832
Commodity options	104	–	104	104
Bond options	1	–	1	1
Bonuses and discounts paid to customers	12	–	12	12
Commissions paid to cooperating brokers	(1 197)	(1 434)	(2 631)	(2 631)
Fee and commission income	(1 033)	–	(1 033)	(1 033)
Other income	2 108	3 006	5 114	5 114
Total operating income	71	–	71	71
Salaries and employee benefits	230 131	15 384	245 515	245 515
Marketing	(56 852)	(1 945)	(58 797)	(58 797)
Other external services	(24 657)	(787)	(25 444)	(25 444)
Cost of maintenance and lease of buildings	(17 590)	(744)	(18 334)	(18 334)
Amortization and depreciation	(5 749)	(112)	(5 861)	(5 861)
Taxes and fees	(3 119)	(18)	(3 137)	(3 137)
Commission expense	(1 823)	(12)	(1 835)	(1 835)
Other expenses	(5 584)	(59)	(5 643)	(5 643)
Total operating expenses	(12 069)	(510)	(12 579)	(12 579)
Operating profit	(127 443)	(4 187)	(131 630)	(131 630)
Impairment of intangible assets	102 688	11 197	113 885	113 885
Finance income	–	–	–	9 257
Finance costs	–	–	–	(2 723)
Profit before tax	–	–	–	120 419
Income tax	–	–	–	(22 921)
Net profit	–	–	–	97 498

ASSETS AND LIABILITIES AS AT 31.12.2018 (AUDITED) (IN PLN'000)	**RETAIL OPERATIONS**	**INSTITUTIONAL OPERATIONS**	**TOTAL REPORTING SEGMENTS**	**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
Customers' cash and cash equivalents	321 955	41 953	363 908	363 908
Financial assets held for trading	107 817	6 462	114 279	114 279
Other assets	491 507	380	491 887	491 887
Total assets	921 279	48 795	970 074	970 074
Amounts due to customers	401 811	46 030	447 841	447 841
Financial liabilities held for trading	25 657	2 570	28 227	28 227
Other liabilities	38 850	–	38 850	38 850
Total liabilities	466 318	48 600	514 918	514 918

ASSETS AND LIABILITIES AS AT 30.09.2018 (UNAUDITED) (IN PLN'000)	**RETAIL OPERATIONS**	**INSTITUTIONAL OPERATIONS**	**TOTAL REPORTING SEGMENTS**	**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
Customers' cash and cash equivalents	297 977	42 150	340 127	340 127
Financial assets held for trading	94 172	7 347	101 519	101 519
Other assets	530 051	310	530 361	530 361
Total assets	922 200	49 807	972 007	972 007
Amounts due to customers	374 027	45 849	419 876	419 876
Financial liabilities held for trading	12 559	3 682	16 241	16 241
Other liabilities	46 818	–	46 818	46 818
Total liabilities	433 404	49 531	482 935	482 935

13. Cash and cash equivalents

Broken down by type

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
In hand	1	1	1
In current bank accounts	918 002	831 508	844 409
Short-term bank deposits	–	386	377
Cash and cash equivalents in total	918 003	831 895	844 787

Restricted own and customers' cash

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Customers' cash and cash equivalents	481 203	363 908	340 127
Own cash and cash equivalents	436 800	467 987	504 660
Cash and cash equivalents in total	918 003	831 895	844 787

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

14. Financial assets at fair value through P&L

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Financial instruments (CFD)			
Index CFDs	49 186	56 760	81 900
Currency CFDs	21 127	14 415	14 604
Commodity CFDs	15 904	28 263	27 500
Stock CFDs	7 757	5 447	4 980
Bond CFDs	254	92	95
Debt instruments			
Stocks	7 291	22 967	19 318
Total financial assets at fair value through P&L	101 519	127 944	148 397

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)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Gross amounts due from clients	3 527	3 045	2 805
Impairment write-downs of receivables	(3 228)	(2 844)	(2 531)
Total amounts due from clients	299	201	274
Deposits	1 910	1 739	1 952
Statutory receivables	1 551	811	1 282
Trade receivables	4 030	3 034	2 548
Impairment write-downs of receivables	(884)	(780)	(700)
Total financial assets at amortised cost	6 906	5 005	5 356

Movements in impairment write-downs of receivables

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(3 624)	(3 022)	(3 022)
Write-downs recorded	(723)	(738)	(347)
Write-downs reversed	271	101	101
Write-downs utilized	(36)	35	37
Impairment write-downs of receivables – at the end of the reporting period	(4 112)	(3 624)	(3 231)

Write-downs of receivables in 2019 and 2018 resulted from the debit balances which arose in clients' accounts in those periods.

16. Intangible assets

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	ADVANCES FOR 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.

Intangible assets in the period from 1 January 2018 to 31 December 2018 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 541	10 792	4 814	–	21 147
Additions	41	–	–	–	41
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	(12)	–	–	–	(12)
Gross value as at 31 December 2018	5 568	10 792	4 814	–	21 174
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(374)	(1 297)	(563)	–	(2 234)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	6	–	–	–	6
Accumulated amortization as at 31 December 2018	(5 061)	(10 792)	(4 605)	–	(20 458)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 31 December 2018	507	–	209	–	716

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 2018 to 30 September 2018 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 541	10 792	4 814	–	21 147
Additions	36	–	–	–	36
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	(30)	–	–	–	(30)
Gross value as at 30 September 2018	5 545	10 792	4 814	–	21 151
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(292)	(1 052)	(557)	–	(1 901)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	22	–	–	–	22
Accumulated amortization as at 30 September 2018	(4 963)	(10 547)	(4 599)	–	(20 109)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 30 September 2018	582	245	215		1 042

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 2019 to 30 September 2019 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE OFFICES	RIGHT TO USE VEHICLES	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
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

Property, plant and equipment in the period from 1 January 2018 to 31 December 2018 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	9 131	6 100	100	–	15 331
Additions	1 109	203	(81)	–	1 231
Sale and scrapping	(53)	(172)	–	–	(225)
Net foreign exchange differences	(47)	69	–	–	22
Gross value as at 31 December 2018	10 140	6 200	19	–	16 359
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(1 326)	(371)	–	–	(1 697)
Sale and scrapping	37	146	–	–	183
Net foreign exchange differences	28	(59)	–	–	(31)
Accumulated amortization as at 31 December 2018	(8 738)	(5 104)	–	–	(13 842)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 31 December 2018	1 402	1 096	19	–	2 517

Property, plant and equipment in the period from 1 January 2018 to 30 September 2018 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	9 131	6 100	100	–	15 331
Additions	702	229	(100)	–	831
Sale and scrapping	(53)	(32)	–	–	(85)
Net foreign exchange differences	(94)	50	–	–	(44)
Gross value as at 30 September 2018	9 686	6 347	–	–	16 033
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(938)	(298)	–	–	(1 236)
Sale and scrapping	37	5	–	–	42
Net foreign exchange differences	63	(44)	–	–	19
Accumulated amortization as at 30 September 2018	(8 315)	(5 157)	–	–	(13 472)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 30 September 2018	1 371	1 190	–	–	2 561

Non-current assets by geographical area

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	8 893	2 271	2 637
- including Poland	*7 545*	*1 980*	*2 350*
Western Europe	5 526	612	603
- including Spain	*487*	*139*	*151*
Latin America and Turkey	812	350	363
Total non-current assets	15 231	3 233	3 603

18. Amounts due to customers

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Amounts due to retail customers	533 978	401 811	374 027
Amounts due to institutional customers	42 881	46 030	45 849
Total amounts due to customers	576 859	447 841	419 876

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)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Financial instruments (CFD)			
Index CFDs	8 993	17 800	7 478
Stock CFDs	3 892	2 475	2 818
Currency CFDs	3 808	4 148	2 343
Commodity CFDs	3 399	3 779	3 556
Bond CFDs	43	25	46
Total financial liabilities held for trading	20 135	28 227	16 241

20. Liabilities due to lease

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Short-term	4 651	37	59
Long-term	7 424	–	–
Total liabilities due to lease	12 075	37	59

Liabilities due to lease do not include short-term leasing contracts and lease of low-value assets. In the period from 1 January to 30 September 2019 the cost related to short-term leasing included in the interim condensed consolidated statement of comprehensive income amounted to PLN 224 thousand, the cost related to lease of low-value assets included in the interim condensed consolidated statement of comprehensive income amounted to PLN 78 thousand.

21. Other liabilities

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Provisions for other employee benefits	7 663	12 157	10 131
Trade liabilities	6 576	7 675	17 690
Statutory liabilities	3 373	3 247	3 291
Liabilities due to brokers	440	118	384
Liabilities due to employees	403	441	258
Amounts due to the Central Securities Depository of Poland	145	106	95
Total other liabilities	18 600	23 744	31 849

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 2019, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 735 thousand, as at 31 December 2018 in the amount of PLN 1 805 thousand and as at 30 September 2018 in the amount of PLN 1 427 thousand.

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Provisions for retirement benefits	1 239	1 055	1 083
Provisions for legal risk	2 061	925	712
Total provisions	3 300	1 980	1 795

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.

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		AS AT 30.09.2019
			USE	REVERSAL	
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

Movements in provisions in the period from 1 January 2018 to 31 December 2018 (audited)

(IN PLN'000)	AS AT 01.01.2018	INCREASES	DECREASES		AS AT 31.12.2018
			USE	REVERSAL	
Provisions for retirement benefits	846	209	–	–	1 055
Provisions for legal risk	820	792	250	437	925
Total provisions	1 666	1 001	250	437	1 980

Movements in provisions in the period from 1 January 2018 to 30 September 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	INCREASES	DECREASES		AS AT 31.12.2018
			USE	REVERSAL	
Provisions for retirement benefits	846	237	–	–	1 083
Provisions for legal risk	820	–	–	108	712
Total provisions	1 666	237	–	108	1 795

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 2019 the total value of claims brought against the Group amounted to approx. PLN 879 thousand (as at 31 December 2018: PLN 954 thousand, as at 30 September 2018: PLN 1,55 million). 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 60 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.

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 432 thousand.

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 2019, 31 December 2018 and 30 September 2018

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 2019, 31 December 2018 and 30 September 2018 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 (20 672) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	486	419	389
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	473	379	344
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	281	280	281
XTB International	199	(88)	(164)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	153	67	37
XTB Limited CY	96	(24)	(70)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	58	(3)	(24)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	46	21	13
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	28	13	8
XTB Services Limited	22	9	6
XTB Africa (PTY) Ltd	(14)	(21)	–
XTB Chile SpA	(69)	(82)	(35)
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(114)	(12)	(49)
XTB Limited UK	(476)	(785)	(750)
X Trade Brokers Menkul Değerler A.Ş.	(21 841)	(21 652)	(24 660)
Total foreign exchange differences on translation	(20 672)	(21 479)	(24 674)

24. Profit distribution and dividend

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).

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2017 in the amount of PLN 87 396 thousand was transferred to reserve capital in full and the loss from previous years in the amount of PLN 490 thousand was covered with reserve capital

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		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	15 507	(2 904)	20 663	97 498
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	0,14	(0,03)	0,18	0,83
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,14	(0,03)	0,18	0,83

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		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Income tax – current portion				
Income tax for the reporting period	(1 016)	(3 008)	(1 460)	(20 563)
Income tax – deferred portion				
Occurrence / reversal of temporary differences	(4 717)	1 682	(6 230)	(2 358)
Income tax disclosed in profit and loss	(5 733)	(1 316)	(7 690)	(22 921)

Reconciliation of the actual tax burden

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Profit before tax	21 240	(1 588)	28 353	120 419
Income tax based in the applicable tax rate of 19%	(4 036)	302	(5 387)	(22 880)
Difference resulting from application of tax rates applicable in other countries	30	(4)	82	(30)
Non-taxable revenue	–	(7)	12	–
Non-deductible expenses	(135)	(3 794)	(204)	(4 059)
Tax loss for the reporting period not disclosed in the deferred tax	(1 030)	(4)	(1 198)	(4)
Realisation of tax losses for the preceding periods	5	57	25	74
Activate tax losses of previous periods/Writing off tax losses activated in previous years	1	–	(102)	–
Other items affecting the tax burden amount	(568)	2 134	(918)	3 978
Income tax disclosed in profit or loss	(5 733)	(1 316)	(7 690)	(22 921)

26.2 Deferred income tax

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 01.01.2018	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

Change in the balance of deferred tax for the period from 1 January to 31 December 2018 (audited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	(8)	83
Financial assets at amortised cost	45	(45)	–
Financial liabilities held for trading	6 670	(1 669)	5 001
Provisions for liabilities	245	261	506
Prepayments and deferred costs	1 436	(24)	1 412
Other liabilities	19	1	20
Tax losses of previous periods to be settled in future periods	10 145	(874)	9 271
Total deferred income tax assets	18 652	(2 359)	16 293

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.12.2018
Deferred income tax assets included directly in the equity:			
Separate equity of branches	14	(14)	–
Total deferred income tax assets included directly in the equity	14	(14)	–

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	1 127	19 235
Other liabilities	8	(8)	–
Financial assets at amortised cost	–	142	142
Prepayments and deferred costs	16	–	16
Property, plant and equipment	247	(247)	–
Total deferred income tax provision	18 379	1 014	19 393
Deferred tax disclosed in profit or (loss)	–	(3 373)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.12.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	212	212
Total deferred income tax provision included directly in the equity	–	212	212

Change in the balance of deferred tax for the period from 1 January to 30 September 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.09.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	8	99
Loans granted and other receivables	45	(45)	–
Financial liabilities held for trading	6 670	(3 737)	2 933
Provisions for liabilities	245	(169)	76
Prepayments and deferred costs	1 436	185	1 621
Other liabilities	19	(7)	12
Tax losses of previous periods to be settled in future periods	10 145	(13)	10 132
Total deferred income tax assets	18 652	(3 779)	14 873

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.09.2018
Deferred income tax assets included directly in the equity:			
Separate equity of branches	14	(14)	–
Total deferred income tax assets included directly in the equity	14	(14)	–

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.09.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	(1 204)	16 904
Other liabilities	8	(8)	–
Prepayments and deferred costs	16	(8)	8
Property, plant and equipment	247	(201)	46
Total deferred income tax provision	18 379	(1 421)	16 958
Deferred tax disclosed in profit or (loss)	–	(2 358)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.09.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	161	161
Total deferred income tax provision included directly in the equity	–	161	161

Geographical division of deferred income tax assets

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Central and Eastern Europe	91	98	122
Western Europe	9 179	9 289	10 153
Latin America and Turkey	49	158	313
Total deferred income tax assets	9 319	9 545	10 588

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

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2018 (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	6 607	19 464	–	12 857
Czech Republic	52	–	52	–
Slovakia	46	–	46	–
Germany	2 808	–	2 808	–
France	4 591	–	4 591	–
Great Britain	1 890	–	1 890	–
Turkey	39	–	39	–
Chile	260	141	119	–
Total	16 293	19 605	9 545	12 857

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 2018 (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	4 285	17 119	–	12 834
Czech Republic	52	–	52	–
Slovakia	71	–	71	–
Germany	2 802	–	2 802	–
France	5 428	–	5 428	–
Great Britain	1 922	–	1 922	–
Turkey	29	–	29	–
Chile	284	–	284	–
Total	14 873	17 119	10 588	12 834

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 2018 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 2019 the Parent Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 1 thousand due to his investment account (as at 31 December 2018 the Company had liabilities in the amount of PLN 0,4 thousand, as at 30 September 2018 the Parent Company had liabilities in the amount of PLN 0,2 thousand). In the period from 1 January to 30 September 2019 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 2019 the paid gross salary and bonuses amounted to PLN 1 354 thousand and in the analogical period of 2018 amounted to PLN 1 130 thousand.

27.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)	30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Benefits to the Management Board members	(505)	(410)	(2 267)	(2 172)
Benefits to the Supervisory Board members	(63)	(45)	(190)	(95)
Total benefits to the Management Board and Supervisory Board	(568)	(455)	(2 457)	(2 267)

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 24 of the financial statements. The value of the element settled in financial instruments in the years 2015 - 2018 acquired by the members of the Management Board amounts to PLN 404 thousand.

Members of the Management Board of the Parent Company, within the framework of the Options Program described in note 27.4 of the financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

27.4 Loans granted to the Management Board and Supervisory Board

As at 30 September 2019, 31 December 2018 and 30 September 2018 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 30.09.2019 (UNAUDITED)	30.09.2018 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	807	(8 768)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	10	33
Change in other adjustments	817	(8 735)

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

On 24 October 2019 an application has been submitted for deletion of subsidiary X Trading Technology Sp. z o.o. in liquidation from the National Court Register (KRS). As of the publication date of this Report application for deletion has not been considered.

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Index CFDs	1 984 790	1 190 515	1 561 679
Currency CFDs	1 830 823	1 132 137	944 430
Commodity CFDs	477 999	276 772	351 824
Stock CFDs	154 104	65 232	93 942
Bond CFDs	14 604	15 814	22 743
Bond	14 895	–	–
Stock	4 290	5 292	7 193
Total financial instruments	4 481 505	2 685 762	2 981 811

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 September 2019 transactions with brokers represent 7% of the total nominal value of instruments (as at 31 December 2018: 2% of the total nominal value of instruments, as at 30 September 2018: 2% 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)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	108 978	36 872	31 983
Other securities registered in customers' securities accounts	207	207	207
Total customers' financial instruments	109 185	37 079	32 190

30.3 Transaction limits

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

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	–	6 665	2 940
Other securities registered in customers' securities accounts	–	2	5
Total customers' financial instruments	–	6 667	2 945

31. Items regarding the compensation scheme

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 987	3 285	3 285
- increases	*533*	*702*	*354*
b) closing balance	4 520	3 987	3 639
2. XTB's share in the profits from the compensation scheme	284	260	229

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 X-Trade Brokers Menkul Değerler 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)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
The Group's own funds	**408 230**	**378 393**	**374 263**
Tier I Capital	408 230	378 393	374 263
Common Equity Tier I capital	408 230	378 393	374 263
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total Group's risk exposure	**3 019 440**	**1 800 363**	**2 084 454**
Capital conservation buffer	75 486	33 757	39 084
Countercyclical capital buffer	5 995	1 180	871
Combined buffer requirement	**81 481**	**34 937**	**39 955**
Total capital ratio	**13,5%**	**21,0%**	**18,0%**
Total capital ratio including buffers	**10,8%**	**19,1%**	**16,0%**

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 30.09.2019 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2018 (AUDITED)	AS AT 30.09.2018 (UNAUDITED)
1. Capital/Own funds	408 230	393 391	378 393	374 263
1.1. Base capital/Common Equity Tier I without deductions	441 633	405 435	411 774	411 774
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(33 403)	(12 044)	(33 381)	(37 511)
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	**408 230**	**393 391**	**378 393**	**374 263**
1. Market risk	171 346	109 679	78 012	99 629
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	5 046	4 063	3 828	5 287
3. Credit risk	25 234	23 686	22 260	21 667
4. Operating risk	39 929	39 942	39 929	40 172
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	**241 555**	**177 370**	**144 029**	**166 755**
IIb. Total risk exposure	**3 019 440**	**2 217 135**	**1 800 363**	**2 084 454**
Capital conservation buffer	75 486	55 428	33 757	39 084
Countercyclical capital buffer	5 995	4 181	1 180	871
Combined buffer requirement	**81 481**	**59 609**	**34 937**	**39 955**

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 reports directly to the Member of the Management Board responsible for the operation of the Group's internal control 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.

(IN PLN'000)	30.09.2019 (UNAUDITED)		31.12.2018 (AUDITED)		30.09.2018 (UNAUDITED)	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	918 003	918 003	831 895	831 895	844 787	844 787
Financial assets at fair value through P&L	148 919	148 919	114 279	114 279	101 519	101 519
Amounts due to customers	576 859	576 859	447 841	447 841	419 876	419 876
Financial liabilities held for trading	20 135	20 135	28 227	28 227	16 241	16 241
Other liabilities	18 600	18 600	23 744	23 744	31 849	31 849

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)	30.09.2019 (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 assets	19 185	129 734	–	148 919
Financial liabilities				
Financial liabilities held for trading	–	20 135	–	20 135
Total liabilities	–	20 135	–	20 135

(IN PLN'000)	31.12.2018 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	5 293	108 986	–	114 279
Total assets	5 293	108 986	–	114 279
Financial liabilities				
Financial liabilities held for trading	–	28 227	–	28 227
Total liabilities	–	28 227	–	28 227

(IN PLN'000)	30.09.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	7 291	94 228	–	101 519
Total assets	7 291	94 228	–	101 519
Financial liabilities				
Financial liabilities held for trading	–	16 241	–	16 241
Total liabilities	–	16 241	–	16 241

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, ie. 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

33.1.3 Market risk

In the period covered by these interim condensed consolidated financial statements, the Group entered into OTC contracts for differences (CFDs) and digital options. 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.

33.1.4 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 2019 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	14 805	105 435	6 733	14 730	4 314	4 068	26 595	176 680	436 800
Clients' cash and cash equivalents	49 205	236 368	8 208	48 115	3 911	6 690	10 079	362 576	481 203
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

Assets and liabilities denominated in foreign currencies as at 31 December 2018 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	33 182	97 246	6 464	18 860	3 320	3 099	25 696	187 867	467 987
Clients' cash and cash equivalents	27 339	191 230	5 873	33 242	3 245	5 195	5 947	272 071	363 908
Financial assets at fair value through P&L	11 840	55 252	1 531	10 295	1 018	2 541	2 608	85 085	114 279
Income tax receivables	–	–	–	60	–	–	213	273	3 068
Financial assets at amortised cost	525	2 846	31	128	7	191	256	3 984	5 005
Prepayments and deferred costs	295	212	363	133	–	73	20	1 096	3 049
Intangible assets	–	11	–	26	–	–	11	48	716
Property, plant and equipment	–	581	63	202	–	20	129	995	2 517
Deferred income tax assets	–	7 445	1 890	52	–	–	158	9 545	9 545
Total assets	73 181	354 823	16 215	62 998	7 590	11 119	35 038	560 964	970 074
Liabilities									
Amounts due to Clients	34 143	229 258	6 925	42 293	3 996	7 732	7 766	332 113	447 841
Financial liabilities held for trading	4 769	14 904	445	1 566	198	80	708	22 670	28 227
Income tax liabilities	59	138	–	–	–	–	34	231	232
Liabilities due to lease	–	–	–	37	–	–	–	37	37
Other liabilities	1 246	6 499	2 811	1 305	–	398	1 586	13 845	23 744
Provisions for liabilities	–	–	–	–	–	–	931	931	1 980
Deferred income tax provision	–	–	–	–	–	–	–	–	12 857
Total liabilities	40 217	250 799	10 181	45 201	4 194	8 210	11 025	369 827	514 918

Assets and liabilities denominated in foreign currencies as at 30 September 2018 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	35 106	89 117	4 798	11 372	2 367	1 266	20 118	164 144	504 660
Customers' cash and cash equivalents	24 380	182 520	5 296	35 026	3 172	5 018	5 868	261 280	340 127
Financial assets at fair value through P&L	11 874	46 491	1 131	9 883	1 445	2 034	1 804	74 662	101 519
Income tax receivables	–	–	–	50	–	–	–	50	1 467
Loans granted and other receivables	428	2 810	177	169	2	142	579	4 307	5 356
Prepayments and deferred costs	76	549	386	212	–	34	39	1 296	4 687
Intangible assets	–	8	–	35	–	–	13	56	1 042
Property, plant and equipment	–	591	29	204	–	23	134	981	2 561
Deferred income tax assets	–	8 301	1 922	52	–	–	313	10 588	10 588
Total assets	71 864	330 387	13 739	57 003	6 986	8 517	28 868	517 364	972 007
Liabilities									
Amounts due to Clients	30 841	218 297	6 160	43 820	4 508	6 935	7 164	317 725	419 876
Financial liabilities held for trading	4 064	6 607	284	1 191	133	127	421	12 827	16 241
Income tax liabilities	–	240	–	–	–	–	41	281	281
Liabilities due to lease	–	–	–	59	–	–	–	59	59
Other liabilities	1 377	7 111	2 119	1 068	1	150	1 202	13 087	31 849
Provisions for liabilities	–	–	–	–	–	434	968	1 402	1 795
Deferred income tax provision	–	–	–	–	–	–	–	–	12 834
Total liabilities	36 282	232 255	8 563	46 138	4 642	7 646	9 796	345 322	482 935

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			
	30.09.2019 (UNAUDITED)		30.09.2018 (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	15 847	(15 847)	13 590	(13 590)
Equity, of which:	3 544	(3 544)	3 092	(3 092)
Foreign exchange differences on translation	3 544	(3 544)	3 092	(3 092)

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

33.1.5 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 customers in connection with funds deposited in cash accounts in the Group, and of the bank account and bank deposits where the Group's customers' 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 customers' 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 customers' 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)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Financial assets			
Cash and cash equivalents	918 003	831 895	844 787
Total financial assets	918 003	831 895	844 787
Financial liabilities			
Amounts due to customers	18 989	36 430	23 656
Other liabilities	12 075	37	258
Total financial liabilities	31 064	36 467	23 914

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 2019 and from 1 January to 30 September 2018, using the average 1M interest rate in a given market.

(IN PLN'000)	NINE-MONTH PERIOD ENDED			
	30.09.2019 (UNAUDITED)		30.09.2018 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	4 405	(4 405)	3 918	(3 918)

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

In the period covered by these 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.

33.1.6 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)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	6 210	3 758	5 637
Base metals	320	371	218
Other	15 263	12 562	14 979
Total commodity	21 793	16 691	20 834
Equity instruments			
Stocks	15 656	13 461	14 474
Indicies	64 477	62 244	48 950
Total equity instruments	80 133	75 705	63 424
Debt instruments	15 105	295	241
Total financial assets at fair value through P&L	117 031	92 691	84 499
Financial liabilities held for trading			
Commodity			
Precious metals	905	1 737	577
Base metals	20	67	85
Other	1 710	1 750	2 601
Total commodity	2 635	3 554	3 263
Equity instruments			
Stocks	3 197	2 044	2 341
Indicies	8 494	17 582	7 242
Total equity instruments	11 691	19 626	9 583
Debt instruments	43	22	34
Total financial liabilities held for trading	14 369	23 202	12 880

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			
	30.09.2019 (UNAUDITED)		30.09.2018 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(4 249)	4 249	(4 249)	4 249
Base metals	(180)	180	27	(27)
Other	(9 128)	9 128	(2 877)	2 877
Total commodity	(13 557)	13 557	(7 153)	7 153
Equity instruments				
Stocks	(4)	4	49	(49)
Indicies	46 232	(46 232)	4 075	(4 075)
Total equity instruments	46 228	(46 228)	4 124	(4 124)
Debt instruments	1 164	(1 164)	349	(349)
Total income/(expenses) for the period	33 835	(33 835)	(2 680)	2 680

33.2 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 in 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 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	4 403	4 403	4 403	–	–	–	–
CFDs	14 895	14 895	14 895				
Total financial assets at fair value through P&L	129 621	129 621	129 621	–	–	–	–
Financial assets at amortised cost	148 919	148 919	148 919	–	–	–	–
Total financial assets	6 906	6 906	4 996	–	1 910	–	–
	1 073 828	1 073 828	1 071 918	–	1 910	–	–
Financial liabilities							
Amounts due to clients							
Financial liabilities held for trading	576 859	576 859	576 859	–	–	–	–
CFDs							
Total financial liabilities held for trading	20 135	20 135	20 135	–	–	–	–
Liabilities due to lease	20 135	20 135	20 135	–	–	–	–
Other liabilities	12 075	12 075	1 253	3 398	6 548	876	–
Total financial liabilities	18 600	18 600	10 792	5 830	–	–	1 978
	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

Contractual payment periods of financial assets and liabilities as at 31 December 2018 (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	831 895	831 895	831 895	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	5 293	5 293	5 293	–	–	–	–
CFDs	108 986	108 986	108 986	–	–	–	–
Total financial assets at fair value through P&L	114 279	114 279	114 279	–	–	–	–
Financial assets at amortised cost	5 005	5 005	3 266	–	1 739	–	–
Total financial assets	951 179	951 179	949 440	–	1 739	–	–
Financial liabilities							
Amounts due to clients	447 841	447 841	447 841	–	–	–	–
Financial liabilities held for trading							
CFDs	28 227	28 227	28 227	–	–	–	–
Total financial liabilities held for trading	28 227	28 227	28 227	–	–	–	–
Liabilities due to lease	37	37	22	15			
Other liabilities	23 744	23 744	11 484	10 303	–	–	1 957
Total financial liabilities	499 849	499 849	487 574	10 318	–	–	1 957
Contractual liquidity gap in maturities (payment dates)			461 866	(10 318)	1 739	–	(1 957)
Contractual cumulative liquidity gap			461 866	451 548	453 287	453 287	451 330

Contractual payment periods of financial assets and liabilities as at 30 September 2018 (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	844 787	844 787	844 787	–	–	–	–
Financial assets at fair value through P&L							
Stocks	7 291	7 291	7 291	–	–	–	–
CFDs	94 228	94 228	94 228	–	–	–	–
Total financial assets at fair value through P&L	101 519	101 519	101 519	–	–	–	–
Loans granted and other receivables	5 356	5 356	3 404	–	1 952	–	–
Total financial assets	951 662	951 662	949 710	–	1 952	–	–
Financial liabilities							
Amounts due to customers	419 876	419 876	419 876	–	–	–	–
Financial liabilities held for trading							
CFDs	16 241	16 241	16 241	–	–	–	–
Total financial liabilities held for trading	16 241	16 241	16 241	–	–	–	–
Other liabilities	31 908	31 908	21 646	8 465	–	–	1 797
Total financial liabilities	468 025	468 025	457 763	8 465	–	–	1 797
Contractual liquidity gap in maturities (payment dates)			491 947	(8 465)	1 952	–	(1 797)
Contractual cumulative liquidity gap			491 947	483 482	485 434	485 434	483 637

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

33.3 Credit risk

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

(IN PLN'000)	30.09.2019 (UNAUDITED) CARRYING AMOUNT	30.09.2019 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2018 (AUDITED) CARRYING AMOUNT	31.12.2018 (AUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	30.09.2018 (UNAUDITED) CARRYING AMOUNT	30.09.2018 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	918 003	918 003	831 895	831 895	844 787	844 787
Financial assets at fair value through P&L *	148 919	6 687	114 279	10 652	101 519	5 350
Financial assets at amortised cost	6 906	6 906	5 005	5 005	5 356	5 356
Financial assets	1 073 828	931 596	951 179	847 552	951 662	951 662
Total financial assets	918 003	918 003	831 895	831 895	844 787	844 787

** As at 30 September 2018 the maximum exposure to credit risk for financial assets at fair value through P&L, not including the collateral received, was PLN 129 723 thousand (31 December 2018: PLN 108 875 thousand, 30 September 2018: PLN 94 228 thousand). This exposure was collateralised with customers' cash, which, as at 30 September 2019, covered the amount of PLN 105 438 thousand (31 December 2018: PLN 87 087 thousand, 30 September 2018: PLN 87 730 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 customers' 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 31 September 2019, the Group had deposit accounts in 45 banks and institutions (31 December 2018: in 43 banks and institutions, 30 September 2018: 42 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	30.09.2019 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2018 (AUDITED) (IN PLN'000)	ENTITY	30.09.2018 (UNAUDITED) (IN PLN'000)
Bank 1	210 114	Bank 1	229 570	Bank 1	238 777
Bank 2	159 443	Bank 2	153 960	Bank 2	194 942
Bank 3	120 295	Bank 3	104 553	Bank 3	93 806
Bank 4	83 692	Bank 4	65 552	Bank 4	64 409
Bank 5	45 920	Bank 5	41 704	Bank 5	41 545
Bank 6	42 621	Bank 6	33 141	Bank 6	25 467
Bank 7	37 896	Bank 7	29 944	Bank 7	24 960
Bank 8	25 209	Bank 8	27 615	Bank 8	20 778
Bank 9	23 570	Bank 9	21 661	Bank 9	17 513
Bank 10	21 858	Bank 10	17 029	Bank 10	15 605
Other	147 385	Other	107 166	Other	106 985
Total	918 003	Total	831 895	Total	844 787

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)		
	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
Cash and cash equivalent			
Step 1	814 015	743 485	760 437
Step 2	3 691	2 603	2 194
Step 3	75 044	60 530	61 401
Step 4	23 235	23 380	18 902
Step 5	2 018	1 897	1 853
Total	918 003	831 895	844 787

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 30 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):

30.09.2019 (UNAUDITED)		31.12.2018 (AUDITED)		30.09.2018 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	3 071	Entity 1	2 595	Entity 1	2 311
Entity 2	1 212	Entity 2	654	Entity 2	451
Entity 3	295	Entity 3	595	Entity 3	330
Entity 4	267	Entity 4	537	Entity 4	126
Entity 5	262	Entity 5	504	Entity 5	96
Entity 6	180	Entity 6	444	Entity 6	90
Entity 7	109	Entity 7	356	Entity 7	83
Entity 8	103	Entity 8	320	Entity 8	66
Entity 9	88	Entity 9	281	Entity 9	64
Entity 10	84	Entity 10	212	Entity 10	63
Total	5 671	Total	6 498	Total	3 680

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, ul. 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 also offers investments in shares and ETF instruments within the same trading platform. 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, Turkey 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 as a region for future development.

On 10 February of 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. It has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity 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 X Trade Brokers Menkul Değerler A.S. had an active licence to operate. In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 30 September 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (21 841) thousand (see note 23. Equity of the interim condensed consolidated financial statements for the first half of 2019).

During the nine months of 2019, the Group continued the process of expanding the product offer mainly in terms of stock products and ETFs. This activity is aimed at satisfying the needs of clients who expect the widest possible product coverage of the market and instruments giving them exposure to various investment sectors. The Traiding Department has been continuously adding new stock instruments regarding clients interests. Management believes that xStation is currently one of the most developed trading platforms on the CFD and stock market. The company is constantly trying to develop the platform with elements supporting the conclusion of transactions on OTC markets. The Management Board believes that the Group has built solid foundations ensuring its good position to generate growth in the future.

2. Summary and analysis of the results of the Group

In the third quarter of the year 2019, XTB reported a consolidated net profit of PLN 15,5 million compared to PLN 2,9 million in the third quarter of 2018. Consolidated revenue was PLN 61,0 (Q3 2018: PLN 47,6 million) and operating expenses reached PLN 43,0 million (Q3 2018: PLN 48,8 million). In the third quarter the Group noted a record number of new clients, i.e. 10 042. This is an increase of 105,6% y/y and 8,6% q/q.

In the first three quarters of 2019 the Company reported a consolidated net profit of PLN 20,8 million compared to PLN 97,5 million reported over the same period of 2018.

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 2019 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 for the third quarter of the year 2019

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

(in PLN'000)	THREE-MONTH PERIOD ENDED			
	30.09.2019	30.09.2018	CHANGE IN VALUE	CHANGE %
Result of operations on financial instruments	59 792	46 014	13 778	29,9
Income from fees and charges	1 130	1 573	(443)	(28,2)
Other income	30	(9)	39	433,3
Total operating income	60 952	47 578	13 374	28,1
Salaries and employee benefits	(21 368)	(19 681)	1 687	8,6
Marketing	(8 735)	(8 669)	66	0,8
Other external services	(5 737)	(5 605)	132	2,4
Costs of maintenance and lease of buildings	(884)	(1 946)	(1 062)	(54,6)
Amortisation and depreciation	(1 795)	(883)	912	103,3
Taxes and Statutory Fees	(551)	(912)	(361)	(39,6)
Commission expenses	(2 143)	(1 609)	534	33,2
Other expenses	(1 767)	(9 532)	(7 765)	(81,5)
Total operating expenses	(42 980)	(48 837)	(5 857)	(12,0)
Profit (loss) on operating activities (EBIT)	17 972	(1 259)	19 231	1 527,5
Finance income	2 408	(1 062)	3 470	(326,7)
Finance costs	860	733	127	17,3
Profit (loss) before tax	21 240	(1 588)	22 828	1 437,5
Income tax	(5 733)	(1 316)	(4 417)	335,6
Net profit (loss)	15 507	(2 904)	18 411	634,0

(in PLN'000)	30.09.2019	30.09.2018	CHANGE IN VALUE	CHANGE %
	NINE-MONTH PERIOD ENDED			
Result of operations on financial instruments	145 229	240 330	(95 101)	(39,6)
Income from fees and charges	4 462	5 114	(652)	(12,7)
Other income	42	71	(29)	(40,8)
Total operating income	**149 733**	**245 515**	**(95 782)**	**(39,0)**
Salaries and employee benefits	(61 898)	(58 797)	(3 101)	5,3
Marketing	(27 494)	(25 444)	(2 050)	8,1
Other external services	(17 098)	(18 334)	1 236	(6,7)
Costs of maintenance and lease of buildings	(2 416)	(5 861)	3 445	(58,8)
Amortisation and depreciation	(5 033)	(3 137)	(1 896)	60,4
Taxes and fees	(2 081)	(1 835)	(246)	13,4
Commission expenses	(6 047)	(5 643)	(404)	7,2
Other costs	(4 501)	(12 579)	8 078	(64,2)
Total operating expenses	**(126 568)**	**(131 630)**	**5 062**	**(3,8)**
Profit (loss) on operating activities (EBIT)	**23 165**	**113 885**	**(90 720)**	**(79,7)**
Finance income	5 640	9 257	(3 617)	(39,1)
Finance costs	(452)	(2 723)	2 271	(83,4)
Profit (loss) before tax	**28 353**	**120 419**	**(92 066)**	**(76,5)**
Income tax	(7 690)	(22 921)	15 231	(66,4)
Net profit (loss)	**20 663**	**97 498**	**(76 835)**	**(78,8)**

Revenues

The revenues in the Q3 2019 increased by 28,1% y/y, i.e. PLN 13,4 million from PLN 47,6 to PLN 61,0 million. Significant factors which determined the revenue growth were: (i) higher XTB clients turnover of financial instruments reflected by the number of executed transactions i.e. growth of 78 215 lots (from 345 118 to 423 333 lots), (ii) higher profitability per unit lot, i.e. growth of PLN 6 (from PLN 138 to PLN 144).

	THREE-MONTH PERIOD ENDED							
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Total operating income (in PLN'000)	60 952	47 891	40 890	42 786	47 578	84 200	113 737	76 145
Transaction volume in CFD instruments in lots[1]	423 333	385 317	394 421	458 869	345 118	616 082	675 344	618 893
Profitability per lot (in PLN)[2]	144	124	104	93	138	137	168	123

[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 a constantly growing clients base and number of active clients. The intention of the Management Board in 2019 is to further increase the client base. In the period from the beginning of 2019 the Group reported a record number of new clients amounting to 26 131 compared to 14 930 in the comparable period of 2018. In the Q3 2019 the number of new clients increased by 796 q/q i.e. 8,6% q/q. This is the effect of continuing the optimized sales and marketing strategy and the successive introduction of new products to the offer, such as shares and ETFs. The average number of active clients was higher by 7 859 compared to Q3 2018, i.e. 38,8% y/y.

	PERIOD ENDED							
	30.09.2019	**30.06.2019**	**31.03.2019**	**31.12.2018**	**30.09.2018**	**30.06.2018**	**31.03.2018**	**31.12.2017**
New clients[1]	10 042	9 246	6 843	5 742	4 884	4 734	5 312	6 582
Average number of active clients[2]	25 171	23 688	22 245	21 279	21 515	22 135	22 317	18 667
New accounts[3]	24 424	22 215	16 243	13 930	11 758	11 321	12 731	16 530
Average number of active accounts[4]	27 544	25 932	24 386	23 656	24 032	24 918	25 279	21 088

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 2019 and 12, 9, 6 and 3 months of 2018 and 12 months of 2017.
3) The number of accounts opened by the Group's clients in the individual periods.
4) The average quarterly number of accounts respectively for 9, 6 and 3 months of 2019 and 12, 9, 6 and 3 months of 2018 and 12 months of 2017.

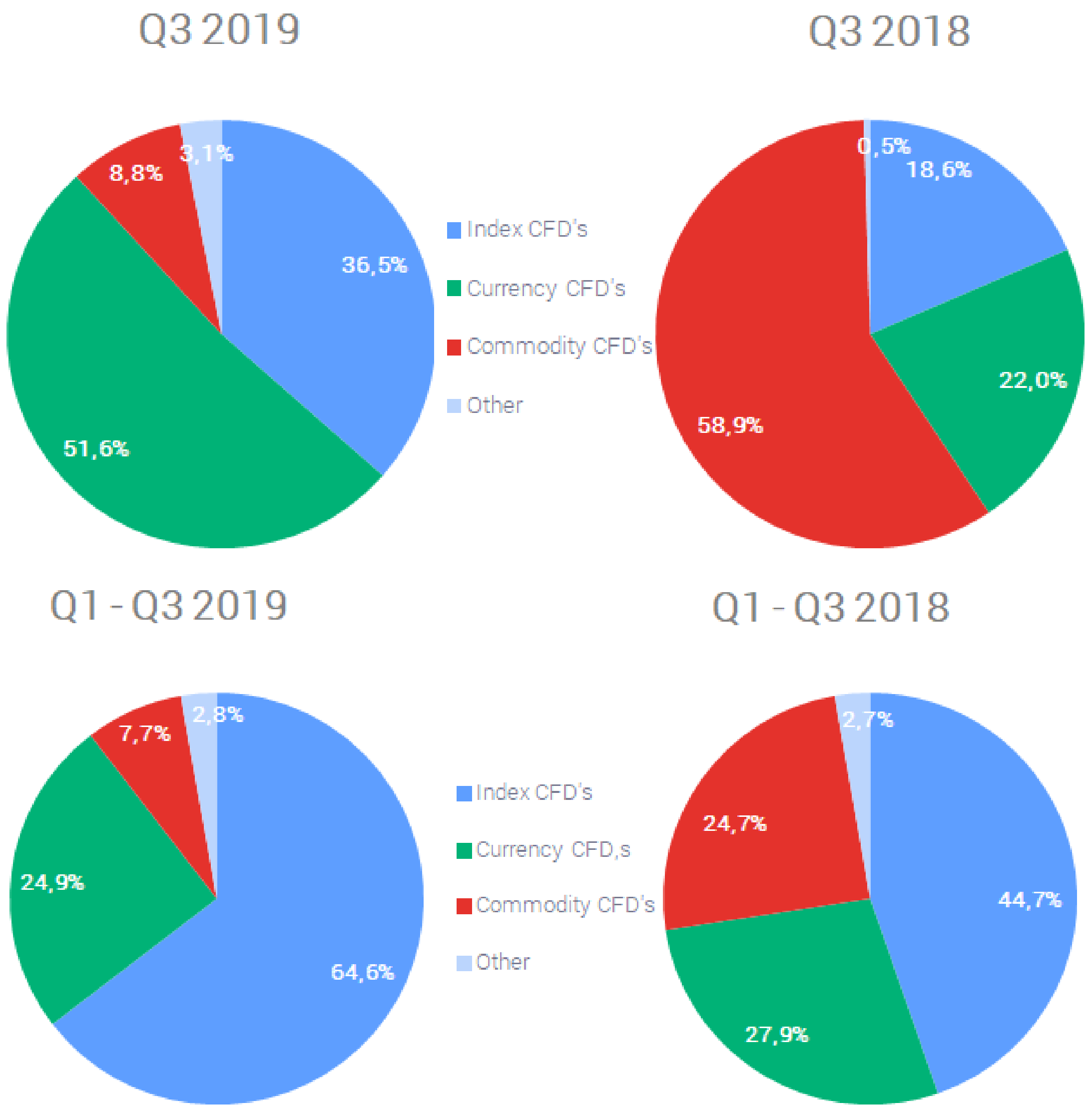
XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2019 and subsequent years.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on currency dominated. Their share in the structure of revenues on financial instruments in the Q3 2019 reached 51,6% against 22,0% a year earlier. This is a consequence of the high interest of XTB clients in instruments based on the EURUSD currency pair. The second most-profitable class of assets were CFDs based on stock indices. Their share in the structure of revenues on financial instruments in the Q3 2019 reached 36,5% (Q3 2018: 18,6%). The most popular instruments among this class were instruments based on the German DAX stock index (DE30) and the US indices US100 and US500. Revenues on CFD instruments based on commodities accounted for 8,8% of total revenues against 58,9% a year earlier.

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

(in PLN'000)	THREE-MONTH PERIOD ENDED			NINE-MONTH PERIOD ENDED		
	30.09.2019	**30.09.2018**	**CHANGE %**	**30.09.2019**	**30.09.2018**	**CHANGE %**
Index CFDs	21 937	8 786	149,7	94 532	109 014	(13,3)
Currency CFDs	31 125	10 445	198,0	36 461	68 066	(46,4)
Commodity CFDs	5 256	27 865	(81,1)	11 206	60 183	(81,4)
Stock CFDs	1 207	187	545,5	2 369	2 455	(3,5)
Bond CFDs	404	(5)	8 180,0	1 067	317	236,6
Total CFDs	59 929	47 278	26,8	145 635	240 035	(39,3)
Options	-	-	-	-	3 947	(100,0)
Shares and listed derivative instruments	268	46	482,6	668	12	5 466,7
Gross gain on transactions in financial instruments	60 197	47 324	27,2	146 303	243 994	(40,0)
Bonuses and discounts paid to costumers	(61)	(1 049)	(94,2)	(150)	(2 631)	(94,3)
Commission paid to cooperating brokers	(344)	(261)	31,8	(924)	(1 033)	(10,6)
Net gain on transaction in financial instruments	59 792	46 014	29,9	145 229	240 330	(39,6)

The structure of revenue by asset class (in %)



XTB places great importance on the geographical diversification of revenues. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 41,4% (Q3 2018: 38,4%) and 18,5% (Q3 2018: 12,5%) respectively. 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		
	30.09.2019	30.09.2018	CHANGE %	30.09.2019	30.09.2018	CHANGE %
Central and Eastern Europe	34 252	27 976	22,4	78 955	132 694	(40,5)
- including Poland	*25 211*	*18 265*	*38,0*	*61 423*	*82 264*	*(25,3)*
Western Europe	22 934	14 295	60,4	59 870	97 428	(38,5)
- including Spain	*11 247*	*5 946*	*89,2*	*32 434*	*35 671*	*(9,1)*
Latin America	3 766	5 307	(29,0)	10 908	15 393	(29,1)
Total operating income	60 952	47 578	28,1	149 733	245 515	(39,0)

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		
	30.09.2019	30.09.2018	CHANGE %	30.09.2019	30.09.2018	CHANGE %
Retail segment	60 161	43 187	39,3	138 312	230 131	(39,9)
Institutional segment (X Open Hub)	791	4 391	(82,0)	11 421	15 384	(25,8)
Total operating income	60 952	47 578	28,1	149 733	245 515	(39,0)

It should be noted that, similar to the retail segment, ESMA product intervention could affect the condition of the European institutional partners of XTB and thus the transaction volume in lots as well as the revenues of XTB from these clients. However, the Management Board cannot exclude that there will been increase in volatility of institutional clients in the future

Expenses

Operating expenses in the third quarter of 2019 amounted to PLN 43,0 million and were lower by PLN 5,9 million compared to the same period last year. The most important changes y/y occurred in:

- costs of salaries and employee benefits, an increase of PLN 1,7 million related to new employment and employee severance payment;
- costs of maintenance and lease of buildings, a decrease of PLN 1,1 million and consequently an increase in depreciation costs by PLN 0,9 million, mainly due to a change in the approach to the cost of renting office space from 2019, relating to the entry into force of IFRS 16 Leasing;
- other cpsts, a decrease of PLN 7,8 million as a result of one-off event in Q3 2018, i.e. which was an administrative fine imposed by the Polish Financial Supervision Authority in the amount of PLN 9,9 million.

(in PLN'000)	THREE-MONTH PERIOD ENDED			NINE-MONTH PERIOD ENDED		
	30.09.2019	30.09.2018	CHANGE %	30.09.2019	30.09.2018	CHANGE %
Salaries and employee benefits	21 368	19 681	8,6	61 898	58 797	5,3
Marketing	8 735	8 669	0,8	27 494	25 444	8,1
Other external services	5 737	5 605	2,4	17 098	18 334	(6,7)
Costs of maintenance and lease of buildings	884	1 946	(54,6)	2 416	5 861	(58,8)
Amortization and depreciation	1 795	883	103,3	5 033	3 137	60,4
Taxes and fees	551	912	(39,6)	2 081	1 835	13,4
Commission expenses	2 143	1 609	33,2	6 047	5 643	7,2
Other costs	1 767	9 532	(81,5)	4 501	12 579	(64,2)
Total operating expenses	42 980	48 837	(12,0)	126 568	131 630	(3,8)

In Q3 2019 operating expenses slightly increased by PLN 0,5 million q/q, mainly due to higher salaries and employee benefits costs by PLN 0,6 million.

	THREE-MONTH PERIOD ENDED							
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Total operating expenses (in PLN'000)	42 979	42 490	41 098	40 218	48 837	41 750	41 043	38 919
- marketing	*8 735*	*9 581*	*9 178*	*7 878*	*8 669*	*8 976*	*7 799*	*6 243*
New clients	10 042	9 246	6 843	5 742	4 884	4 734	5 312	6 582
Average number of active clients	28 136	25 131	22 245	20 568	20 277	21 952	22 317	20 909

The Management Board expects in the Q4 2019 operating expenses to be at a level comparable to that observed in the previous quarters this year. The final level will depend on the variable remuneration elements paid to employees, the level of marketing expenditures and the impact of ESMA's product intervention 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 will depend on the impact of the results and profitability of the Group and on responsiveness of the clients to the actions taken. The impact of product intervention introduced by relevant regulators on local markets of European Union countries on the Group's revenues will determine, if necessary, a revision of the cost assumptions for further months of 2019.

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	
	30.09.2019	**30.09.2018**	**30.09.2019**	**30.09.2018**
EBITDA (in PLN'000)[1]	19 767	(376)	28 198	117 022
EBITDA margin (%)[2]	32,4	(0,8)	18,8	47,7
Net profit margin (%)[3]	25,4	(6,1)	13,8	39,7
Return on equity –ROE (%)[4]	13,9	(2,4)	6,0	29,2
Return on assets – ROA (%)[5]	5,8	(1,2)	2,7	13,9
Aggregate capital adequacy ratio of the Company, including buffers (%)[6]	11,3	17,3	11,3	17,3
Aggregate capital adequacy ratio of the Group, including buffers (%)[7]	10,8	16,0	10,8	16,0

[1]) EBITDA calculated as operating profit, including amortisation and depreciation.
[2]) Calculated as the quotient of operating profit, including amortisation and depreciation, and operating income.
[3]) Calculated as the quotient of net profit and operating income.
[4]) Calculated as the quotient of net profit 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).
[5]) Calculated as the quotient of net profit 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).
[6]) Calculated as the quotient of equity of the Company less buffers requirements and total risk exposure.
[7]) Calculated as the quotient of equity of the Group less buffers requirements and total risk exposure.

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	
	30.09.2019	**30.09.2018**	**30.09.2019**	**30.09.2018**
Retail operations segment	376 723	303 906	1 068 104	1 475 186
Central and Eastern Europe	195 060	159 655	560 973	827 467
Western Europe	141 786	118 304	410 204	563 585
Latin America	39 877	25 947	96 927	84 134
Institutional operations segment	46 610	41 212	134 968	161 358
Total	423 333	345 118	1 203 072	1 636 544

The table below presents:
- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the number of new accounts opened by the Group's clients in individual periods;
- the number of active accounts;
- the aggregate number of accounts;
- the amount of net deposits in the individual periods;
- average operating income per one active account;
- 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	
	30.09.2019	**30.09.2018**	**30.09.2019**	**30.09.2018**
New clients[1]	10 042	4 884	26 131	14 930
Average number of active clients[2]	28 136	20 277	25 171	21 515
Clients in total	139 949	111 401	139 949	111 401
New accounts[3]	24 424	11 758	62 882	35 810
Average number of active accounts[4]	30 768	22 259	27 544	24 032
Accounts in total	297 981	225 784	297 981	225 784
Net deposits (in PLN'000)[5]	95 259	75 619	290 143	254 205
Average operating income per active client (in PLN'000)[6]	2,2	2,3	5,9	11,4
Average operating income per active account (in PLN'000)[7]	2,0	2,1	5,4	10,2
Transaction volume in CFD instruments in lots[8]	423 333	345 118	1 203 072	1 636 544
Profitability per lot (in PLN)[9]	144	138	124	150
Transaction volume in CFD instruments in nominal value (in USD million)	140 167,7	131 253,2	409 133,3	613 383,8
Profitability per 1 million USD transaction volume in CFD instruments (in PLN)	109	99	92	109
Turnover of shares in nominal value (in USD million)	49	16	124	29

[1]) The number of new Group's clients in the individual periods.
[2]) The average quarterly number of clients who at least one transaction has been concluded over the last three months.
[3]) The number of accounts opened by the Group's clients in the individual periods.
[4]) The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
[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 who at least one transaction has been concluded over the last three months.
[7]) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
[8]) 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.
[9]) 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	
	30.09.2019	**30.09.2018**	**30.09.2019**	**30.09.2018**
New clients[1]	10 041	4 882	26 126	14 924
Average number of active clients[2]	28 109	20 258	25 143	21 497
Clients in total	139 911	111 358	139 911	111 358
New accounts[3]	24 423	11 753	62 876	35 795
Average number of active accounts[4]	30 734	22 231	27 511	24 005
Accounts in total	297 887	225 697	297 887	225 697
Number of transactions[5]	6 551 807	5 189 738	18 438 533	23 108 022
Transaction volume in CFD instruments in lots[6]	376 723	303 906	1 068 104	1 475 186
Net deposits (in PLN'000)[7]	99 934	72 239	287 864	242 958
Average operating income per active client (in PLN'000)[8]	2,1	2,1	5,5	10,7
Average operating income per active account (in PLN'000)[9]	2,0	1,9	5,0	9,6
Average cost of obtaining an client (in PLN'000)[10]	0,9	1,8	1,1	1,7
Average cost of obtaining an account (in PLN'000)[11]	0,4	0,7	0,4	0,7
Profitability per lot (in PLN)[12]	160	142	129	156
Transaction volume in CFD instruments in nominal value (in USD million)	126 222	116 041	366 370	554 425
Profitability per 1 million USD transaction volume in CFD instruments (in PLN)[13]	119	101	94	113
Turnover of shares in nominal value (in USD million)	49	16	124	29

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) The number of accounts opened by the Group's clients in the individual periods.
4) The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
5) Total number of open and closed transactions in a given period.
6) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.
7) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
8) 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.
9) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
10) Average cost of obtaining a client comprise total marketing costs of the Group divided by the number of new clients in given period.
11) Average cost of obtaining an account comprise total marketing costs of the Group divided by the number of new accounts in given period.
12) Total operating income in retail segment divided by the transaction volume in CFDs in lots.
13) Total operating income in retail segment divided by the transaction volume in CFDs in 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 than the location of the Group's office.

				THREE-MONTH PERIOD ENDED
		30.09.2019		30.09.2018
Central and Eastern Europe	13 831	49,2%	10 839	53,5%
Western Europe	11 174	39,8%	7 996	39,5%
Latin America	3 104	11,0%	1 423	7,0%
Average number of active clients	28 109	100,0%	20 258	100,0%

				NINE-MONTH PERIOD ENDED
		30.09.2019		30.09.2018
Central and Eastern Europe	12 674	50,4%	11 960	55,7%
Western Europe	10 145	40,3%	8 155	37,9%
Latin America	2 324	9,3%	1 382	6,4%
Average number of active clients	25 143	100,0%	21 497	100,0%

Institutional operations segment

The Group has provided 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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Average number of active clients	27	19	28	18
Clients in total	38	43	38	43
Average number of active accounts	34	28	33	27
Accounts in total	94	87	94	87

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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Transaction volume in CFD instruments in lots	46 610	41 212	134 968	161 358

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 has a stable market position and dynamically growing client base. The Group plans further development by expanding the customer base and product offer, penetrating existing markets and expanding geographically to new markets in order to build a global brand.

2.5 Factors which in the Management's Board belief may impact the Group's operations and perspectives

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 2019 and in some cases also longer:

- The Group's revenue depends directly on the volume of transactions concluded by the Group's clients and profitability per lot which in turn is correlated with the general level of transaction activity on the FX/CFD market.

  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 customers and higher profitability per lot. The periods of clear and long market trends are favorable 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 favorable conditions for transactions concluded in a narrow range of the market (range trading). In this case, a greater number of transactions that bring profits to customers is observed, which leads to a decrease in the Group's result on market making.

  The 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							
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Total operating income (in PLN'000)	60 952	47 891	40 890	42 786	47 578	84 200	113 737	76 145
Transaction volume in CFD instruments in lots[1]	423 333	385 317	394 421	458 869	345 118	616 082	675 344	618 893
Profitability per lot (in PLN)[2]	144	124	104	93	138	137	168	122

[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.

	30.09.2019	2018	2017	2016	2015	2014
% share of operating income from institutional operations in total operating income	7,6%	6,5%	15,2%	7,8%	4,7%	14,1%

  The Management Board anticipates that the level of activity in financial and commodity markets in 2019, regulatory changes as well as other factors (if they occur) may affect the condition of XTB's institutional partners and thus to the volume of trading in lots in the coming period, as well as and XTB revenues from these clients. On the other hand, the Management Board of XTB can't exclude a higher turnover of clients in the institutional segment.

- The Management Board expects that in the Q4 2019 operating costs may be at a level comparable to that observed in the first half of the year. Their final level will depend on the variable remuneration components paid to employees the level of marketing expenses and the impact of product intervention introduced by regulators on local markets of European Union countries 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 expenditure will depend on the impact of the group on the results and profitability of the Group and on responsiveness of the customers to the actions taken. In turn, if the need arises, the impact of product intervention introduced by regulators on local markets of European Union countries on the Group's revenues will revise the cost assumptions for subsequent periods of 2019.

- 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 analyzing 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).

  In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 30 September 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (21 841) thousand (see note 23. Equity of the interim condensed consolidated financial statements for the first half of 2019).

- Current regulatory changes in the industry at the national and international level may change its face in the long term.

  On 27 March 2018, the European Securities and Markets Authority ('ESMA') agreed measures on the offering of contracts for differences ('CFDs') and binary options to retail investors in the European Union (EU).

  Agreed measures regarding CFDs included:

  – Leverage limits on the opening of a position by a retail client between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, including:
    - 30:1 for major currency pairs;
    - 20:1 for non-major currency pairs, gold and major indices;
    - 10:1 for commodities other than gold and non-major equity indices;
    - 5:1 for individual equities and other reference values;
    - 2:1 for cryptocurrencies;
  – A margin close out rule on a per account basis;
  – Negative balance protection on a per account basis;
  – Restriction on the incentives offered to trade CFDs;
  – Standardised risk warning.

  In the binary options:

  – Prohibition on the marketing; distribution or sale of binary options to retail investors.

  After 1 August 2019, i.e. after the end of the last ESMA decision, product intervention measures identical to the existing rules set out in previous decisions were introduced by the relevant regulators in Spain, Portugal, Germany, the Czech Republic and France. Different intervention measures have been implemented in Cyprus and Poland.

  The Cyprus supervisory authority CySec has determined that for customers belonging to the target market, the restrictions will be smaller than for ESMA product interventions, while for the gray market there are plans to tighten the restrictions.

  On 1 August 2019, the Polish Financial Supervision Authority (PFSA) decided to introduce additional requirements while offering contracts for difference to retail clients. The restrictions introduced by the PFSA are that the CFD supplier is required to provide retail customers with:

  – protection of the initial margin, i.e. the leverage limits for the type of investment;

- protection against closing the position – the CFD supplier is obliged to close the most loss client transactions in the event of a reduction in the value of funds deposited to an account below a certain level;
- protection against negative balances, i.e. prevented the client from incurring losses exceeding the value of paid cash;
- access only to CFD materials and advertising that will include an appropriate warning about the risks associated with investing in CFD; and;
- will not provide any financial or non-financial bonuses to encourage customers to invest in CFDs;
- in addition, the decision taken by the Commission introduces the category of an experienced retail client who will be able to offer CFDs with a higher level of leverage while applying the remaining restrictions.

It can't be ruled out that regulatory changes at the national and international levels can have a significant impact on the way the Group offers and promotes financial products, clients' investment strategies, the volume of trading in lots, and profitability per lot, and what's next goes on the Group's financial results.

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

3. Company's authorities

3.1 Management Board

As at 30 September 2019 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 APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	President of the Management Board	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

During the reporting period the following changes occurred in the composition of the Management Board:

- on 9 April 2019 the Polish Financial Supervision Authority, in accordance with the Announcement from the 14th meeting, unanimously agreed to the appointment of Mr. Andrzej Przybylski as a Member of the Company's Management Board, who has been designated as responsible in XTB for supervising the risk management system;
- on 18 April 2019 the Company's Supervisory Board adopted a resolution on the appointment of the XTB Management Board for a new term of office, which will have five members, i.e.
  - Omar Arnaout - Chairman of the Management;
  - Paweł Szejko - Board Member;
  - Filip Kaczmarzyk - Board Member;
  - Jakub Kubacki - Board Member;
  - Andrzej Przybylski - Board Member;

  for a joint term of office of three years, i.e. from 30 June 2019 to the end of 30 June 2022.

3.2 Supervisory Board

As at 30 September 2019 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 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 other than those described above.

4. Information about shares and shareholding

4.1 Equity

As at 30 September 2019 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

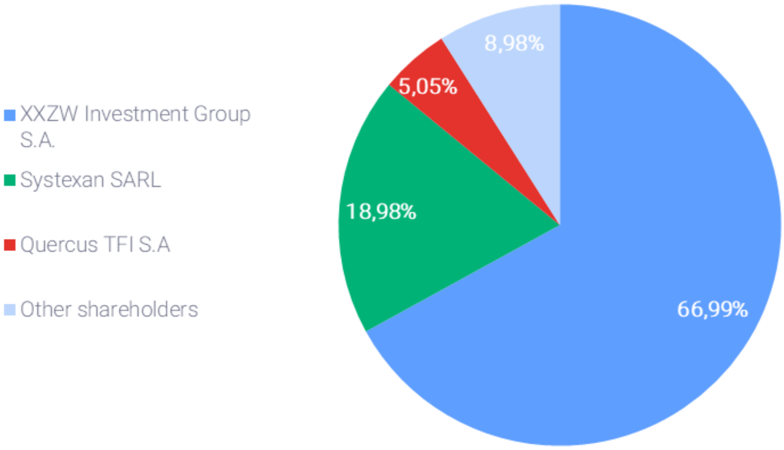
To the best knowledge of the Management Board of the Company as at 22 August 2019 i.e. as at the submission date of the previous periodic report (Report for the 1st half 2019), the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General 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%
Systexan SARL[2]	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%

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.
2) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.

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 22 August 2019 is presented on the graph below



To the best knowledge of the Company's Management Board as at 30 September 2019 and as at the date of this periodic report (according to current report No. 10/2019 dated 15 April 2019), 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 22 August 2019.

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

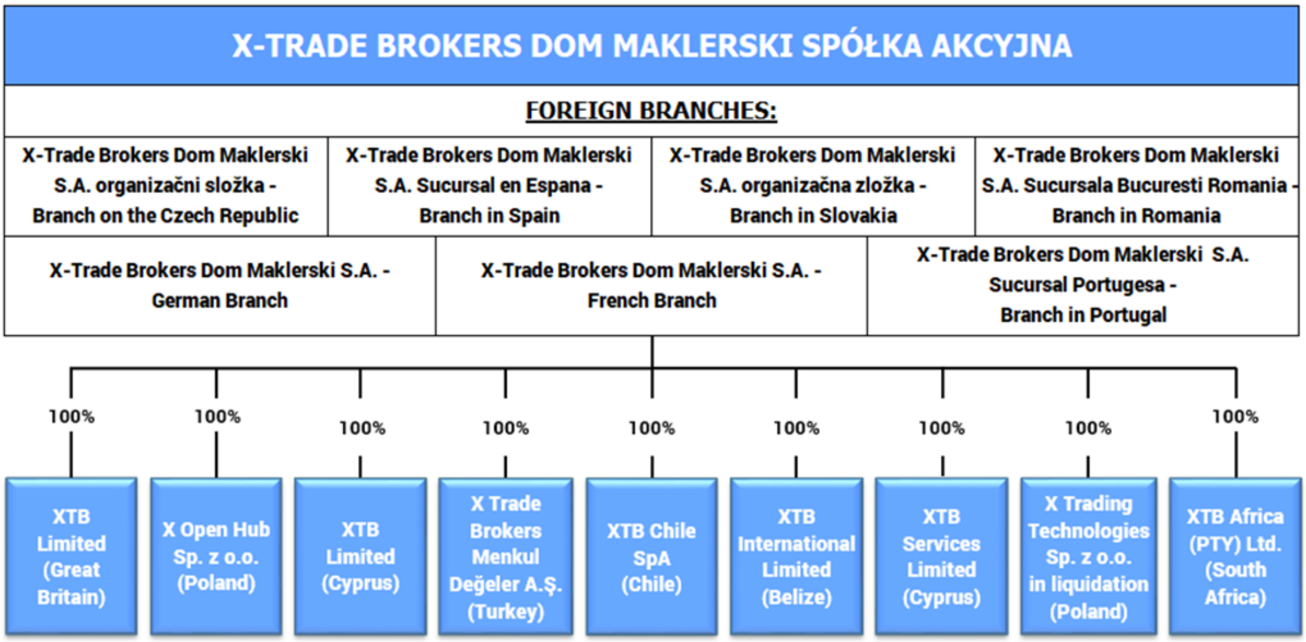
Management and supervisory personnel did not hold, at the end of the reporting period and at the date of this report, share the Company's shares and the entitlements to the Company's shares

5. Other information

5.1 Description of the Group's organization

As at date of this report, i.e. 30.09.2019, 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.

Subsidiaries

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

XTB Limited, Great Britain

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.

X Open Hub Sp. z o.o., Poland

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,
- managing share packages.

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 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.

<u>X Trade Brokers Menkul Değerler A.Ş., Turkey</u>

X Trade Brokers Menkul Değerler A.Ş. business encompasses among other.:

- investement 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 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 X Trade Brokers Menkul Değerler A.S. had an active licence to operate. In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 30 June 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (21 841) thousand (see note 23. Equity of the interim condensed consolidated financial statements for the first half of 2019).

<u>XTB Chile SpA, Chile</u>

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.

<u>XTB International Limited, Belize</u>

On 23 February 2017 the Parent Company acquire 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. The company provides brokerage services based on the obtained permission issued by the International Financial Service Commission.

<u>XTB Services Limited, Cypr</u>

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.

<u>X Trading Technologies Sp. z o.o. w likwidacji, Polska</u>

In January 2018, the Parent Company established a subsidiary of X Trading Technologies Sp. z o.o. based in Poland. The company holds 100% shares in a subsidiary. X Trading Technologies Sp. z o.o. conducts software related activities. On

30 January 2018, the parent company acquired 3 900 shares in the increased share capital of the subsidiary, maintaining 100% share in its capital. On May 14 2018, the Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to dissolve the company and open its liquidation. On October 24 2019, an application was submitted for the removal of the subsidiary X Trading Technologies Sp. z o.o. in liquidation from the National Court Register. As at the date of publication of the report, the application for deletion was not considered.

XTB Africa (PTY) Ltd., South Africa

On 10 July of 2018 the Parent Company established a subsidiary XTB Africa (PTY) Ltd. with its seat in RPA. The company hold 100% shares in a subsidiary. As at the date of publication of this report, the Company did not conduct any operating activities.

After the balance sheet date, i.e. 19 September of 2019, the Parent Company established a subsidiary XTB Services Asia Pte. Ltd. with its seat in Singapore. The company's scope will be performing marketing services.

In the reporting period, i.e. from 1 January to 30 June 2019 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 2019 and 30 September 2018 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)	30.09.2019 REVENUES	30.09.2019 RECEIVABLES	30.09.2018 REVENUES	31.12.2018 RECEIVABLES	30.09.2018 RECEIVABLES
Related parties:					
XTB Limited (UK)	658	1 537	20 071	2 514	1 466
XTB Limited (CY)	2 056	149	165	468	12
X Open Hub Sp. z o.o. (Poland)	2 849	997	2 497	642	1 112
XTB International Limited (Belize)	11 603	4 138	15 849	4 464	2 035

(in PLN'000)	30.09.2019 COSTS	30.09.2019 LIABILITIES	30.09.2018 COSTS	31.12.2018 LIABILITIES	30.09.2018 LIABILITIES
Related parties:					
XTB Limited (UK)	(8 339)	8 268	(9 132)	2 075	1 630
XTB Limited (CY)	(2 190)	286	(2 193)	359	202
X Open Hub Sp. z o.o. (Poland)	(697)	115	(374)	158	58
XTB International Limited (Belize)	(12 943)	6 725	(8 613)	1 199	1 406
XTB Services Limited (CY)	(10 687)	1 016	(4 925)	387	727

As at September 30 of the year 2019, the Group shows a balance of liabilities to Mr. Jakub Zabłocki in the amount of PLN 1,000. PLN due to the investment account held (as at December 31 of 2018 PLN 0,4 thousand, as at September 30 of 2018 PLN 0,2 thousand). In the period from January 1 to September 30 2019, the Group did not record profit or loss on transactions in financial instruments concluded by Mr. Jakub Zabłocki.

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

As at 30 September 2019 and in the reporting period, i.e. from 1 January 2019 to 30 September 2019, 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 2019.

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

As at 30 September 2019 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 approximately PLN 7 million, of which suits brought by the employees pending before court consist of the three proceedings where the total value of claims was approximately PLN 5,8 million and nine brought by clients with the total value of claims of approximately PLN 1,2 million. Below are presented the most significant, in the Company's view:

- proceedings initiated by a former employee of the Company's branch in France. The case was pending before the court on December 21, 2012. Pursuant to the judgment of the Court of November 4, 2014, an amount representing an estimated equivalent of PLN 100,000 was awarded to a former employee. On December 14, 2014, the plaintiff appealed. The original value of this claim was set at PLN 2.2 million. However, according to the statement of the law firm handling the case, it should theoretically be assumed that the value of the subject matter of the dispute may increase until it is settled by about EUR 20,000 per month. Pursuant to the judgment of the General Court of 4 November 2014, the plaintiff was awarded EUR 24,000. The plaintiff filed an appeal on December 14, 2014. The hearing was held on March 26, 2019, the final decision, unfavorable XTB, was issued on May 29, 2019. On June 7, 2019, the Company paid the amount resulting from the ruling in the total amount of EUR 84,668.65. On July 29, 2019, the plaintiff appealed to the cassation court. In November 2019, another hearing will take place.
- one of the Company's clients threatened in 2014 to file a suit regarding its alleged illegal actions. The client accuses 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 client has not referred the matter to court in the last 4 years and at the same time has repeatedly demanded payment of PLN 3,5 million, PLN 7 million and then PLN 14 million. 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;
- 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.

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.

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. On December 29, 2017, the investigation was suspended in order to take evidence in international legal assistance (Cyprus). On January 15, the Company filed a complaint, indicating the possibility of continuing the proceedings in Poland. The decision on suspension was revoked by the decision of the District Court for Warsaw-Śródmieście in Warsaw, 2nd Criminal Division of March 22, 2018, and evidence was taken, but not to a sufficient extent. By decision of 29 June 2018, the Prosecutor again suspended the proceedings due to the existence of premises indicating the necessity of taking evidence in the framework of international legal assistance (Czech Republic and United Kingdom). On July 9, 2018, a complaint was filed, indicating again the possibility or even the need to continue the proceedings in Poland. By a decision of May 22, 2019, the District Court for Warsaw-Śródmieście in Warsaw, the 2nd Criminal Division dismissed the company's appeal. Currently, the Prosecutor is awaiting the implementation of the application for legal aid in the territory of the British Virgin Islands.

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 the 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 are currently pending before EUIPO as regards the annulment of conflicting marks of Xtrade Europe Ltd.

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.

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 27 September 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 Polish Financial Supervision Authority 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 29 October 2018 complaint against the PFSA decision to Provincial Administrative Court (hereinafter the "PAC"). On 6 June 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 16 August 2019.
- On 24 April 2019, the Company received a letter from the Social Insurance Institution (hereinafter the "SII") informing about the intention to initiate a control of the contribution payer at the Company's headquarters. The scope of the control covered: (I) the correctness and reliability of calculating social insurance contributions by the contribution payer and other contributions, which SII is obliged to collect and social insurance and health insurance claims brought, (II) determining entitlements to social insurance benefits, paying these benefits and making settlements in this respect, (III) the correctness and timeliness of preparing applications for retirement and disability pensions, and (V) issuing certificates or data reporting for social security purposes.
- On 19 June 2019, the Company received a control report indicating that the inspector found irregularities in the date of insurance registration of one employee, failure to pay health contributions for one employee for several months and calculation of contributions in the Labour Fund for Members of the Supervisory Board for the period 2016 -2017 and the Labour Fund and the Employee Benefits Guarantee Fund for several employees. Moreover, it was found that one of the employees was not entitled to the payment of care allowance and the benefits for him were overpaid. As at the submission date of this report, the Company exercised due diligence to implement all post-control recommendations of the SII within the required period of 30 days from the delivery of the report. In the opinion of the Management Board, the irregularities identified during the control will not constitute basis for initiation administrative proceedings against the Company concerning the imposition of penalties or other sanctions. Therefore, there is no need to establish provisions for potential administrative penalties.
- By letter dated 16 July 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 19 July 2019, inspection activities were initiated by AMF. The control is 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, ESMA requirements and the French anti-corruption law Sapin II. As at the submission date of this report, the Company exercises due diligence in order to provide AMF with all necessary data in the course of the control. No assurance may be given that AMF will not identify irregularities in operation of the branch constituting basis for, among others, initiation of administrative proceedings imposing penalties or other administrative sanctions on the Company within the supervisory powers of AMF or other bodies.

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.

The so-called the MiFID II/MIFIR package implementation into national legislative system by introducing act amending the act on trading in financial instruments and some other acts and new regulations to this act

The MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") entered into force on 3 January, 2018. Transposition of the MiFID II Directive into the national law took place by introducing amendments to the act on trading in financial instruments. The amended act entered into force on 21 April, 2018, albeit a longer vacatio legis has been reserved for some of its provisions. The main purpose of this act is to increase the safety of financial market participants and ensure competitive conditions for investment companies. The starting point for covering customers of investment companies with greater protection is an obligation of entities providing services to act in a reliable and professional manner, in accordance with principles of fair trading and the best interest of their clients. The legislator distinguished two stages: (i) preceding and (ii) accompanying and following after providing brokerage services and for each of them indicated separate obligations towards clients of investment companies. The professionalism and reliability of investment companies have been strengthened by new rules regarding communication with clients and introducing system to register telephone conversation and electronic communication with them. During provision of services investment companies were obliged to provide clients with regular reports related to the performance of a contract for the provision of brokerage services. Novum, also ensuring greater transparency of the market for its participants is authorisation of a new category of trading system in the form of an organised trading facilities (OTF). Non-discriminatory access rules to OTF will contribute to make the market competitive. There also were introduced separate provisions dedicated to the new type of financial instruments trading system, alternative trading platform for small and medium-sized enterprises. The regulation is intended to increase transparency of cross-selling by entities providing retail services inter alia in the area of fees associated with this kind of selling. The regulation also reduced unnecessary costs that could be charged to the client. The charging of remuneration, commissions or any other benefits from third parties by companies proving independent investment advisory services and asset management shall henceforth subject to significant restrictions. Thanks to the changes, it should be clear for the client who uses investment advisory services, whether they are independent and he also should be familiarised with their costs and grounds. As a result of the amendment, the outsourcing of the processes, services or activities of an investment company was regulated, and the entities that deal with the algorithmic trading technique were subject to special surveillance. Following the amendment to the act on trading in financial instruments, a new regulation of the Minister of Finance of May 30, 2018 on the mode and conditions of conduct of investment firms and banks, which are referred to in Art. 70 (2) of the act on trading in financial Instruments, and custodian banks (hereinafter the "RMC Regulation") entered into force. The layout and content of the new RMC Regulation is based on the previous regulation, however the Ministry of Finance broadened the definition part and enriched the RMC Regulation with additional sections. From the perspective of financial entities, it is crucial to determine the conditions for providing clients with report related to the performance of a contract for the provision of brokerage services: its content, method and time limit for its transfer. It also settled according to which principles incentives may be received or paid. From the law arise, among others, prohibition on accepting or receiving incentives if the investment company would provide brokerage services in a way that is unreliable, unprofessional, inconsistent with the principles of fair trading or does not duly take into account the interests of clients or potential clients. The aforementioned prohibition corresponds to the obligation to disclose data concerning benefits to those persons and to collect and store documentation confirming that the purpose of any benefits provided is to improve the quality of services. The RMC Regulation sets out situations where such the benefit is considered as improving the quality of services. The law has been enriched with a catalogue of forms of benefits considered as minor cash benefits. In relation to the previous regulation, the provisions on the principles of categorisation clients as retail or professional were modified. There are also new provisions for practices related to cross-selling. In addition, the RMC Regulation sets out the terms and conditions for the conduct of investment firms recommending, offering or otherwise enabling the acquisition or subscription of a financial instrument. The act contains additional conditions for the activity of investment companies who are: issuers of financial instruments or entities providing advice on issuing financial instruments. In conclusion, RMC Regulation extends mechanisms for securing clients and limits the possibility of receiving incentives by investment firms. New provisions came into force on 23 June, 2018, whereby their implementation in investment companies was to take place until 21 October 2018.

Another element of the implementation of the MiFID II/ MIFIR package into the Polish system is the introduction of the regulation of the Minister of Finance of 29 May 2018 on detailed technical and organizational conditions for investment companies, banks referred to in art. 70 (2) of the act on trading in financial instruments, and custodian banks (hereinafter "RTOC Regulation"). It regulates in detail the storage, registration and safekeeping of financial instruments and keeping cash accounts. The provisions of the RTOC Regulation contain a description of the manner and detailed conditions for recording and depositing funds of clients as well as categories of entities in which these funds may be deposited. An innovation is necessity to appoint one person responsible for fulfilling duties in the area of safekeeping of financial instruments and clients' funds in order to prevent the fragmentation of responsibility between individual employees and to reduce the associated risks. The regulations indicate the necessity of introducing organizational solutions regarding the manner of remunerating persons offering or concluding agreements in the course of cross-selling, in order to remove any possibility of concluding cross-selling contracts with clients for whom it will be inappropriate. There also can occur organizational changes in investment companies as a result of changes in the functioning of the internal audit and specifying rules allowing serving on boards of investment companies and holding other key positions. In relation to previous internal audit regulation, more flexibility was given in the area of shaping the audit principles, because it was reduced to the obligation to introduce internal audit regulations. The requirements for the management personnel, also in the area of improvement of professional qualifications are indicated to strengthen the professionalism of activities of the investment companies. The RTOC Regulation develops the principles for keeping records of transactions, archiving documentation and other medium of information prepared in connection with running a business. The law issued on 29 May 2018 entered into force on 23 June 2018. Similarly to the RMC Regulation, the transitional provisions allowed investment companies to comply with the new requirements by 21 October 2018.

The Company exercised due diligence in order to comply with amendments to the act on trading in financial instruments and requirements of RMC Regulation and RTOC Regulation. However, it cannot be excluded that a given rule or requirement will be interpreted by Company in a manner inconsistent with the regulations which may be connected with supervisory activities and sanctions specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Changes in the scope of protection of personal data and establishing a national cybersecurity system

A legislative package on a new EU legal framework for data protection consists of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation – "the GDPR Regulation") and the Directive (EU) 2016/680 of the European Parliament and of the Council of 27 April, 2016 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, and repealing Council Framework Decision 2008/977/JHA (the "RODO Directive"). Implementation of the RODO Directive by the Member States, with some exceptions, was supposed to take place by 6 May, 2018. The GDPR Regulation did not require implementation and is being used directly by all of the countries of the Community as of 25 May, 2018.

The outcome of working on the implementation of the above-mentioned regulations into the Polish legal order is entering into force the act on personal data protection on 25 May, 2018. This act includes: (i) constitution of a new body accurate for personal data protection – President of the Personal Data Protection Office; (ii) procedure of personal data protection inspector's notifications; (iii) principles of certification and manner of proceedings in such cases, (iv) manner of proceeding in cases related to violation of personal data protection provisions; and (v) issues related to civil responsibility for violation of the personal data protection provisions.

Since August 2017 in Ministry of Digital Affairs works on regulations implementing act on the protection of personal data were being conducted. After referring a draft act amending other acts in connection with ensuring implementation of the GDPR Regulation to public consultation, on 13 September 2018 new draft act was presented. The project of regulation contains provisions adapting certain acts to the requirements of the GDPR Regulation in areas such as, among others the insurance sector, sectors of justice, culture, health and public statistics. There are also included the principles of processing personal data by employers. The significant element of the project for financial market entities is the introduction of an amendment to the act on trading in financial instruments in the scope of personal data processing of natural persons. The bill was passed on February 21, 2019.

The Company has exercised due diligence in order to comply with its obligations under provisions for the protection of personal data. However, it cannot be excluded that a given rule or requirement were interpreted by the Group in a manner inconsistent with provisions for the protection of personal data which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

On 28 August 2018 the act of 5 July 2018 on national cybersecurity system which is implementation of Directive of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across Union (the "NIS Directive"). In the meaning of the act, the "cybersecurity" is understood as resilience of information systems to activities that violate confidentiality, integrity, availability and authenticity of the data processed or related services offered by these systems. The aim of the regulation is to detect, prevent and minimise the effects of incidents that violate cybersecurity. Institutionally, these objectives are to be pursued by the national cybersecurity system. They are belonging to him, among others authorities responsible for cybersecurity, digital service providers and so-called the operators of essential services. The last one are entities that have an organizational unit in Poland, whose potential sectors of activity have been specified in Appendix 1 to the act and in relation to which an administrative decision has been issued recognising the entity as the operator of the essential services. Such decisions are to be issued until 9 November 2018 by the authorities responsible for cybersecurity. The PFSA is the relevant authority for the banking sector and financial market infrastructure. Pursuant to the provisions of the act, each operator of essential services is obliged to assess the risk of incident and to manage the risk, to use technical and organizational measures appropriate to the risk, including building awareness of system users. In addition, these entities have the task of managing incidents, including reporting serious incidents, applying measures to prevent and minimise the impact of incidents on the security of the information system and enabling efficient communication within the national cybersecurity system. As at the submission date of this report, the Company has not received a decision on a possible recognition her as the operator of essential services and it cannot be ruled out that the provisions of the new act will apply to her. Their implementation may involve significant organizational changes or significant financial outlays.

Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance and amendments to some other acts

On 25 September 2018 another draft act amending the personal income tax act (the "PIT Act"), the corporate income tax act ("CIT Act"), the act - Tax Ordinance and some other amendments to the act were published. According to statements of reasons concerning the draft, the purpose of the regulation is, inter alia, closing tax loopholes. It concerns, among others collection of withholding tax, i.e. the tax collected from non-residents. Up to the amount of PLN 2 million of receivable paid to a taxpayer who is non-resident in a given tax year, the current principles of payment (collection) of withholding tax will apply. Once it has been exceeded, a payer is allowed to apply the current withholding tax rules, i.e. favourable fiscal treatment concerning withholding tax if he submits to the tax authority relevant statements related to fulfilling formal requirements (e.g. obtaining required documents from the taxpayer) and exercising due diligence in verification of prerequisites for a given tax preference in the form of a reduction or an exemption. The payer who fails to submit these statements will be required to collect, calculate and pay the tax using the rates specified in the CIT Act and the PIT Act. In this case, the payer does not apply the exemptions indicated in these laws and the provisions of agreements on avoidance of double taxation with countries with which Poland have signed the agreements. These restrictions will also apply to taxpayers who are domestic entities in relation to dividends and other income from participation in profits of legal persons. There is also a new mechanism of collecting the tax which requires collection and return of tax after the verification of preferential taxation entitlements. In the opinion of the project initiator, the primary purpose of the changes is to introduce solutions aiming at verification the conditions for the use of favourable fiscal treatment of significant receivables. Evidence collection should be easer as a result of introduction of the act as it allows under certain conditions to use copies of residency certificates that confirm the place of residence of the taxpayer.

The act came into force on 1 January 2019. The Company has exercised due diligence to adapt to changes in the Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance Act and amendments to some other acts. It can not be ruled out, however, that a given rule or requirement was interpreted by the Company in a manner inconsistent with the regulations, which may result in the application of supervisory activities and sanctions provided for in the applicable regulations to the Company, and may cause the Company to incur further significant financial expenditures and implementation of significant organizational changes.

Act amending the Act on the exchange of tax information with other countries and certain other acts

On April 4, 2019 the act amending the Act on the exchange of tax information with other countries and certain other acts was passed. The purpose of implementing solutions described in the act was to improve and supplement the national legislator. The most important assumptions of the Act: (i) in relation to documenting new accounts opened in the period from 1 January 2016 to 30 April 2017 - the need for account holders to submit a statement containing residences as at the opening date of the invoice, no use for filing a statement made by account holders for another moment in time, as well as the use of other methods of bill identification; (ii) introducing a criminal liability clause in the CRS and FATCA statements, and (iii) introducing an obligation to re-identify bills if it was previously made pursuant to Article 50 section 2 of the Act, and simultaneously with this identification, the financial institution did not take into account the tax residence of the account holder. Part of the provisions came into force on 1 September 2019, while the rest on 16 September 2019.

The Company has exercised due diligence to adapt to changes in the Act amending the Act on the exchange of tax information with other countries and certain other acts. It can not be ruled out, however, that a given rule or requirement was interpreted by the Company in a manner inconsistent with the regulations, which may result in the application of supervisory activities and sanctions provided for in the applicable regulations to the Company, and may cause the Company to incur further significant financial expenditures and implementation of significant organizational changes. 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 behavior 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 catalog of crimes; (vi) the company has the burden of proving that due diligence has been exercised; (vii) extension of the catalog 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 IV AML Directive

The European Union is working on the adaptation of national legal systems to the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (the Directive). The main changes resulting from the new legislation are among others: (i) highlight of the importance of a comprehensive approach to the analysis of the risk of money laundering and terrorist financing, at transnational, national and institutional levels, (ii) clarification of the methods of the real beneficiaries identification, (iii) extension of the definition of politically exposed persons (PEP) by adding domestic persons to that group, (iv) extension of the scope of the new regulations on entities receiving cash payments above EUR 10 000, instead present EUR 15 000.

The Polish legislator failed to complete transposition of provisions of the Directive within the required deadline which expired on 26 June, 2017. On 28 March, 2018 President signed the act on prevention of money laundering practices and financing of terrorism which implements provisions of the Directive into the Polish legal order. The act will come into force on 13 July 2018. Amendments in the new act include (i) introduction of a new category of institutions which are obliged to apply the act on the prevention of money laundering and terrorism financing, including entities conducting business activity involving provision of services related to exchange among virtual currencies and means of payment and exchange among virtual currencies, (ii) amendment of the definition of beneficial owner and politically exposed person, (iii) necessity to introduce a procedure for identification and assessment of the risk related to money laundering and terrorism financing in connection with the business activity conducted, (iv) obligation to have a single procedure on the prevention of money laundering for the whole capital group, (v) shortening of the deadline for reporting of transactions to the General Inspector for Financial Information to 7 days after execution thereof, (vi) reduction of the limit for transactions executed in cash to EUR 10 000, (vii) increase of penalties for violation of provisions of the act up to the equivalent of EUR 5 000 000 or up to 10% of the turnover declared in the most recent consolidated financial statements for the business year. That act entered into force on 13 July 2018.

On 13 October 2018 regulation of 4 October 2018 on the transfer of information about transactions and a form identifying the obligated institution came into force. The provisions establish the mode of preparing and transferring transactional information and a form identifying obliged institution and the mode of their transfer to General Inspector of Financial Information (the "GIIF"). Moreover, starting from 11 October 2019 works the Central Register of Beneficial Owners, which collects and processes information on beneficial owners.

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.

Activity of the European Securities and Markets Authority ("ESMA")

The group is witnessing continuous regulatory changes in the industry at an international level that may change over time. The European Securities and Markets Authority (ESMA) published on 29 June 2017 a statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR.

On 5 February, 2018 the ESMA published its Guidelines on MiFID II product governance requirements. The document discussed obligations regarding compliance with the law and reporting, and it presented: (i) guidelines for manufacturers, including the manufacturer's obligation to identify the potential target market and the relationship between the manufacturer's distribution strategy and their target market definition; (ii) guidelines for distributors, which define – inter alia – the relationship between the product governance requirements and assessment of suitability or adequacy, as well as the distribution strategy, and (iii) guidelines regarding issues applicable to manufacturers and distributors, including principles of identification of the negative target market and sales outside the positive target market, as well as application of the requirements of the target market to firms operating on wholesale markets.

Moreover, on 27 March, 2018 ESMA agreed on measures on the provision of contracts for differences and binary options to retail investors in EU. Agreed measures regarding CFDs included: (i) leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, 30:1 for major currency pairs, 20:1 for non-majors currency pairs, 10:1 for commodities other than gold and non-major equity indices, 5:1 for individual equities and other reference values, 2:1 for cryptocurrencies; (ii) a margin close out rule on a per account basis; (iii) negative balance protection on a per account basis; (iv) a restriction on the incentives offered to trade CFDs; (v) a standardised risk warning. When it comes to binary options, the agreed measures included a prohibition on the marketing, distribution or sale of those instruments to retail clients. Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union. The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return. In relation to CFDs temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.

According to MiFIR Regulation, ESMA may introduce temporary intervention measures only for three months. Before the end of the three-month period, ESMA each time considers the need to extend the intervention measures for a further three months. In August 2018, ESMA reviewed the product intervention measure on binary options on the basis of a study carried out among the national competent authorities on the practical application and impact as well as on the basis of additional information provided by the competent national authorities and interested parties. On 24 August 2018 ESMA announced decision to extend its application from 2 October 2018 for following, three-months period. In September 2018 the review concerned the measures applied to CFDs after which, on 28 September 2018 ESMA decided on their extension from 1 November 2018 for a further three months. It also conditionally shortened risk information for CFDs as ESMA was notified that some investment firms had some technical problems with using standard risk warnings due to limitations on the number of marks imposed by external marketing service providers. On 1 August 2019 the Polish Financial Supervision Authority decided to introduce additional requirements while offering contracts for difference to retail clients and to introduce the category of an experienced retail client who will be able to offer CFDs with a higher level of leverage while applying the remaining restrictions.

Assumptions of the PFSA's Product intervention:

1. prohibition of placing on the market consisting of the dissemination, directing to retail clients or potential retail clients of information, advertising or promotion, as well as the distribution or sale of contracts for difference to retail clients, except when the following conditions are met:
    - the investment firm requires the retail client to make an initial margin, which should be understood as any payment in order to conclude a CFD, excluding commissions, transaction fees and any other related costs, with a percentage specified in the PFSA Product Intervention;
    - the investment firm provides protection to the retail client by forcibly closing a position on the retail client's account (so-called stop-out) when the margin level reaches 50%;
    - the investment firm provides the retail client with protection against a negative balance, which shall be understood as a limitation of the total liabilities of the retail client in respect of all CFD positions related to the CFD trading account at the supplier of the CFD contract to the amount of funds on that account;
    - the investment firm does not directly or indirectly transfer to the retail client any payment, monetary advantage or any excluded non-monetary benefit in connection with the marketing, distribution or sale of CFDs, except for realized profits from the CFDs provided, whereby a non-monetary benefit should be understood as any non-monetary benefit information and research tools to the extent that they relate to CFDs;

- advertising or promotional information, including correspondence or messages, disseminated or directed to the retail client or potential retail client directly or indirectly by the investment firm, in connection with the marketing, distribution or sale of CFDs, contains an appropriate risk warning.

2. entering the status of experienced retail customer - retail clients of an investment firms who already have relevant experience and awareness of investment risk have the opportunity to submit a written application for the status of an experienced retail client. In order to become an experienced retail customer, two conditions must be met in total:

(a) the retail customer concluded within 24 months:
- opening transactions in CFDs with a nominal value of at least PLN equivalent of EUR 50,000 * each, with a frequency of at least 10 opening transactions per quarter in four quarters; or
- CFD opening transactions with a nominal value of at least PLN equivalent of EUR 10,000 * each, with a frequency of at least 50 opening transactions per quarter during four quarters; or
- opening transactions in the scope of CFDs with a total nominal value of at least PLN equivalent of EUR 2,000,000 *, with the client concluding at least 40 opening transactions per quarter in four quarters;

(b) the retail client shall have appropriate knowledge regarding derivatives, including CFDs, supported by:
- obtaining relevant professional certificates, in particular: Investment Advisor, Securities Broker, Chartered Financial Analyst, Financial Risk Manager, Professional Risk Manager, ACI Dealing Certificate, ACI Diploma, or relevant field education; or
- a minimum of 50 hours of training on derivatives, including CFDs, confirmed by obtaining relevant certificates or confirmations issued on the basis of knowledge verification by relevant training providers, within the last 12 months; or
- confirmation that the client carries out or performed activities or works or worked under an employment contract or other contractual relationship on which the function is based, for at least a year in a position that requires professional knowledge regarding the conclusion of transactions in CFDs or other derivatives.

** the equivalent of amounts expressed in Euro is determined using the average Euro exchange rate announced by the National Bank of Poland, in force on the day preceding the date of submission of the application by the retail customer in which the exchange rate was announced.*

Despite the Group acting with due diligence implemented organizational changes to comply with these requirements of conducting activity, it cannot be excluded that the manner of interpretation of prohibition and restrictions of regulators may be different than solutions adopted by the Group. It may involve applying supervisory activities and sanctions provided for by applicable law and might require the Group to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of decisions may have a negative impact on the financial results of the Group.

Following the publication on 1 June 2018 of the decision of ESMA regarding product intervention concerning CFD contracts, on 18 July 2018 the Company received a letter from the PFSA with a questionnaire regarding operations on CFD market and the process of adaptation business activity to the aforementioned ESMA's decision. The Company informed about its implementation activities and detected inaccuracies in the interpretation of the abovementioned ESMA's decision. In the view of the prohibition of 22 May 2018 regarding the trading, distribution or sale of binary options issued by ESMA, on 19 October 2018 the PFSA asked the Company to provide information regarding the sale of binary options. The Company provided appropriate explanations, including information about the withdrawal of binary options from her offer. On 19 November 2018 the Company filled in the PFSA the answer for the questionnaire. As at the submission date of this report, the Company exercised due diligence in order to comply with the obligations arising from aforementioned ESMA decisions. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the PFSA expectations to its interpretation which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)
Result of operations on financial instruments	53 700	40 178	125 965	226 120
Income from fees and charges	1 343	1 762	4 466	4 985
Other income	30	(9)	42	71
Total operating income	55 073	41 931	130 473	231 176
Salaries and employee benefits	(17 054)	(16 512)	(50 005)	(49 559)
Marketing	(4 486)	(5 672)	(14 616)	(18 983)
Other external services	(8 726)	(7 502)	(26 099)	(22 265)
Costs of maintenance and lease of buildings	(625)	(1 508)	(1 694)	(4 528)
Amortisation and depreciation	(1 511)	(839)	(4 235)	(2 447)
Taxes and fees	(326)	(872)	(1 637)	(1 638)
Commission expenses	(1 611)	(1 311)	(4 729)	(4 716)
Other costs	(1 568)	(9 471)	(2 637)	(11 268)
Total operating expenses	(35 907)	(43 687)	(105 652)	(115 404)
Profit (loss) on operating activities	19 166	(1 756)	24 821	115 772
Impairment of investments in subsidiaries	1 745	(6 028)	(505)	(10 425)
Finance income	2 074	(1 555)	2 921	5 979
Finance costs	435	101	(162)	(2 349)
Profit (loss) before tax	23 420	(9 238)	27 075	108 977
Income tax	(5 485)	(1 206)	(6 906)	(24 854)
Net profit (loss)	17 935	(10 444)	20 169	84 123
Other comprehensive income	486	(512)	247	381
Items which will be reclassified to profit (loss) after meeting specific conditions	486	(512)	247	381
- foreign exchange differences on translation of foreign operations	*(408)*	*853*	*(219)*	*321*
- foreign exchange differences on valuation of separated equity	*1 104*	*(1 685)*	*575*	*74*
- deferred income tax	*(210)*	*320*	*(109)*	*(14)*
Total comprehensive income	18 421	(10 956)	20 416	84 504
Earnings per share:				
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	0,15	(0,09)	0,17	0,72
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	0,15	(0,09)	0,17	0,72
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	0,15	(0,09)	0,17	0,72
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	0,15	(0,09)	0,17	0,72

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	30.09.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.09.2018 (UNAUDITED)
ASSETS			
Own cash and cash equivalents	393 491	412 950	460 912
Clients' cash and cash equivalents	423 456	326 649	302 989
Financial assets at fair value through P&L	139 037	106 531	96 155
Investments in subsidiaries	56 352	54 864	50 135
Income tax receivables	2 290	2 841	1 450
Financial assets at amortised cost	11 464	11 532	7 862
Prepayments and deferred costs	5 123	2 351	4 149
Intangible assets	373	495	813
Property, plant and equipment	13 518	2 250	2 325
Deferred income tax assets	7 480	7 497	8 353
Total assets	1 052 584	927 960	935 143
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to clients	523 457	405 200	379 245
Financial liabilities held for trading	16 100	24 794	14 646
Income tax liabilities	50	139	241
Liabilities due to lease	11 381	37	59
Other liabilities	17 462	20 674	29 753
Provisions for liabilities	1 509	1 049	827
Deferred income tax provision	18 954	12 857	13 019
Total liabilities	588 913	464 750	437 790
Equity			
Share capital	5 869	5 869	5 869
Supplementary capital	71 608	71 608	71 608
Other reserves	364 619	334 760	334 760
Foreign exchange differences on translation	1 406	1 159	993
Retained earnings	20 169	49 814	84 123
Total equity	463 671	463 210	497 353
Total equity and liabilities	1 052 584	927 960	935 143

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

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	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	–	–	–	–	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/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	364 619	1 406	20 169	463 671

Statement of changes in equity for the period from 1 January 2018 to 31 December 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2018	5 869	71 608	247 854	612	86 906	412 849
Total comprehensive income for the financial year						
Net profit	–	–	–	–	90 898	90 898
Other comprehensive income	–	–	–	547	–	547
Total comprehensive income for the financial year	–	–	–	547	90 898	91 445
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	86 906	–	(127 990)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–
- covering losses from previous years	–	–	(490)	–	490	–
As at 31 December 2018 (audited)	5 869	71 608	334 760	1 159	49 814	463 210

Interim condensed statement of changes in equity for the period from 1 January 2018 to 30 September 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2018	5 869	71 608	247 854	612	86 906	412 849
Total comprehensive income for the financial year						
Net profit	–	–	–	–	84 123	84 123
Other comprehensive income	–	–	–	381	–	381
Total comprehensive income for the financial year	–	–	–	381	84 123	84 504
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	86 906	–	(86 906)	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–
As at 30 September 2018 (unaudited)	5 869	71 608	334 760	993	84 123	497 353

INTERIM CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	NINE-MONTH PERIOD ENDED 30.09.2019 (UNAUDITED)	NINE-MONTH PERIOD ENDED 30.09.2018 (UNAUDITED)
Cash flows from operating activities		
Profit before tax	27 075	108 977
Adjustments:		
(Gain) Loss on sale or disposal of items of property, plant and equipment	(18)	(28)
Amortization and depreciation	4 235	2 447
Foreign exchange (gains) losses from translation of own cash	(3 036)	(17)
(Gain) Loss on investment activity	(2 972)	8 367
Other adjustments	257	363
Changes		
Change in provisions	460	(84)
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading	(41 200)	1 821
Change in balance of restricted cash	(96 807)	31 111
Change in financial assets at amortised cost	68	(2 802)
Change in balance of prepayments and accruals	(2 772)	(1 488)
Change in balance of amounts due to customers	118 257	4 315
Change in balance of other liabilities	(3 212)	9 157
Cash from operating activities	335	162 139
Income tax paid	(330)	(22 123)
Interests	278	–
Net cash from operating activities	283	140 016
Cash flow from investing activities		
Proceeds from sale of items of property, plant and equipment	14	70
Expenses relating to payments for property, plant and equipment	(1 775)	(698)
Expenses relating to payments for intangible assets	(37)	(36)
Expenses relating to payments for investments in subsidiaries	(1 993)	(3 400)
Dividends received from subsidiaries	3 477	2 058
Net cash from investing activities	(314)	(2 006)
Cash flow from financing activities		
Payments of liabilities under finance lease agreements	(2 232)	(69)
Interest paid under lease	(278)	–
Dividend paid to owners	(19 955)	–
Net cash from financing activities	(22 465)	(69)
Increase (Decrease) in net cash and cash equivalents	(22 496)	137 941
Cash and cash equivalents – opening balance	412 950	322 954
Effect of FX rates fluctuations on balance of cash in foreign currencies	3 037	17
Cash and cash equivalents – closing balance	393 491	460 912

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