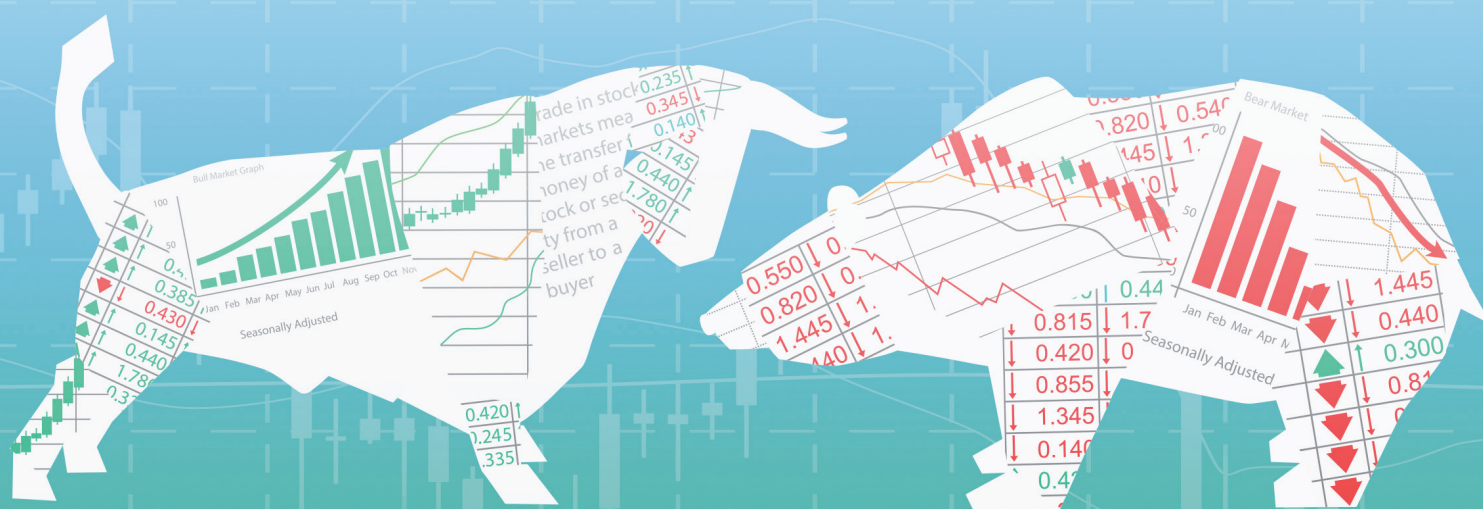


CAPITAL GROUP

**X-Trade Brokers DM S.A.**

# REPORT FOR THE 1<sup>ST</sup> HALF 2017



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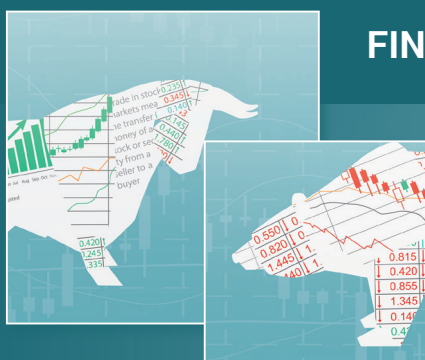
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## FINANCIAL HIGHLIGHTS



## FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000		IN EUR'000	
	SIX-MONTH PERIOD ENDED 30.06.2017	30.06.2016	SIX-MONTH PERIOD ENDED 30.06.2017	30.06.2016
<b>Consolidated comprehensive income statement:</b>				
Total operating income	125 244	113 815	29 487	25 982
Profit on operating activities	52 706	18 621	12 409	4 251
Profit before tax	36 799	24 968	8 664	5 700
Net profit	29 358	23 047	6 912	5 261
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,25	0,20	0,06	0,05
<b>Consolidated cash flow statement:</b>				
Net cash from operating activities	6 558	9 620	1 544	2 196
Net cash from investing activities	(3 596)	(845)	(847)	(193)
Net cash from financing activities	(37 642)	(91 616)	(8 862)	(20 915)
Increase/(Decrease) in net cash and cash equivalents	(34 680)	(82 841)	(8 165)	(18 911)

	IN PLN'000		IN EUR'000	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
<b>Consolidated statement of financial position:</b>				
Total assets	862 908	796 753	204 166	180 098
Total liabilities	521 943	440 860	123 493	99 652
Share capital	5 869	5 869	1 389	1 327
Equity	340 965	355 893	80 673	80 446
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)	2,90	3,03	0,69	0,69

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: 4,2474;
  - for the comparative period: 4,3805;
- 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: 4,2265;
  - for the comparative period: 4,4240.

## FINANCIAL SEPARATE HIGHLIGHTS

	IN PLN'000		IN EUR'000	
	SIX-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
<b>Comprehensive income statement:</b>				
Total operating income	112 046	91 381	26 380	20 861
Profit on operating activities	52 324	17 559	12 319	4 008
Profit before tax	30 387	21 362	7 154	4 877
Net profit	24 486	20 141	5 765	4 598
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,21	0,17	0,05	0,04
<b>Cash flow statement:</b>				
Net cash from operating activities	861	9 345	203	2 133
Net cash from investing activities	(3 269)	(617)	(770)	(141)
Net cash from financing activities	(37 642)	(94 264)	(8 862)	(21 519)
Increase/(Decrease) in net cash and cash equivalents	(40 050)	(85 536)	(9 429)	(19 527)

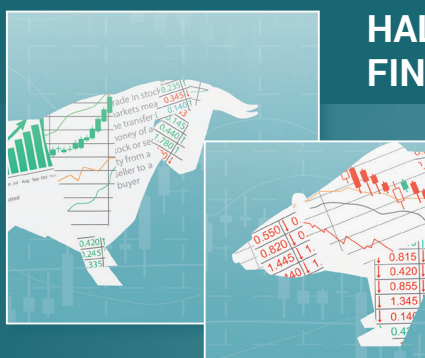
	IN PLN'000		IN EUR'000	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
<b>Statement of financial position:</b>				
Total assets	818 921	775 371	193 759	175 265
Total liabilities	469 433	411 096	111 069	92 924
Share capital	5 869	5 869	1 389	1 327
Equity	349 488	364 275	82 690	82 341
Number of shares	117 383 635	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)	2,98	3,10	0,70	0,70

The above data was translated into EUR as follows:

- items in the comprehensive income statement and 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: 4,2474;
  - for the comparative period: 4,3805;
- items of 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: 4,2265;
  - for the comparative period: 4,4240.



## HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## HALF-YEAR CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED	
		30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Result of operations on financial instruments	6.1	122 960	111 094
Income from fees and charges	6.2	2 247	2 698
Other income		37	23
<b>Total operating income</b>	<b>6</b>	<b>125 244</b>	<b>113 815</b>
Salaries and employee benefits	7	(36 267)	(38 534)
Marketing	8	(13 720)	(32 300)
Other external services	9	(10 125)	(10 816)
Costs of maintenance and lease of buildings		(3 763)	(4 481)
Amortization and depreciation	16,17	(3 021)	(2 777)
Taxes and fees		(1 346)	(890)
Fee expenses	10	(2 621)	(2 311)
Other costs		(1 675)	(3 085)
<b>Total operating expenses</b>		<b>(72 538)</b>	<b>(95 194)</b>
<b>Profit on operating activities</b>		<b>52 706</b>	<b>18 621</b>
<b>Impairment of intangible assets</b>	<b>16</b>	<b>(5 612)</b>	<b>–</b>
Finance income	11	2 421	9 673
Finance costs	11	(12 716)	(3 326)
<b>Profit before tax</b>		<b>36 799</b>	<b>24 968</b>
Income tax	25	(7 441)	(1 921)
<b>Net profit</b>		<b>29 358</b>	<b>23 047</b>
<b>Other comprehensive income</b>		<b>(6 723)</b>	<b>1 595</b>
Items which will be reclassified to profit or loss after meeting specific conditions		(6 723)	1 595
– foreign exchange differences on translation of foreign operations		(5 130)	326
– foreign exchange differences on valuation of separated equity		(1 966)	1 567
– deferred income tax		373	(298)
<b>Total comprehensive income</b>		<b>22 635</b>	<b>24 642</b>
<b>Net profit attributable to shareholders of the Parent Company</b>		<b>29 530</b>	<b>23 047</b>
<b>Total comprehensive income attributable to shareholders of the Parent Company</b>		<b>22 942</b>	<b>24 642</b>
<b>Earnings per share:</b>			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	24	0,25	0,20
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	24	0,25	0,20
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	24	0,25	0,20
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	24	0,25	0,20

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



## HALF-YEAR CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>ASSETS</b>				
Own cash and cash equivalents	13	251 987	290 739	246 426
Customers' cash and cash equivalents	13	442 963	375 642	316 961
Financial assets held for trading	14	134 950	94 903	60 297
Financial assets available for sale		168	190	220
Income tax receivables		1 538	1 016	8 469
Loans granted and other receivables	15	6 525	5 244	6 501
Prepayments and deferred costs		5 505	3 590	4 723
Intangible assets	16	5 187	10 060	11 724
Property, plant and equipment	17	3 466	3 746	3 824
Deferred income tax assets	25	10 619	11 623	12 124
<b>Total assets</b>		<b>862 908</b>	<b>796 753</b>	<b>671 269</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Amounts due to customers	18	457 208	377 268	320 637
Financial liabilities held for trading	19	26 980	22 645	10 208
Income tax liabilities		3 304	4 262	2 318
Other liabilities	20	18 962	22 693	23 239
Provisions for liabilities	21	827	948	1 218
Deferred income tax provision	25	14 662	13 044	6 517
<b>Total liabilities</b>		<b>521 943</b>	<b>440 860</b>	<b>364 137</b>
<b>Equity</b>				
Share capital	22	5 869	5 869	5 869
Supplementary capital	22	71 608	71 608	71 608
Other reserves	22	247 992	212 554	212 554
Foreign exchange differences on translation	22	(11 668)	(4 945)	954
Retained earnings		27 164	70 807	16 147
<b>Equity attributable to the owners of the parent Company</b>		<b>340 965</b>	<b>355 893</b>	<b>307 132</b>
<b>Total equity</b>		<b>340 965</b>	<b>355 893</b>	<b>307 132</b>
<b>Total equity and liabilities</b>		<b>862 908</b>	<b>796 753</b>	<b>671 269</b>

The half-year condensed consolidated statement of financial position should be read together with the supplementary notes which are an integral part of these half-year condensed consolidated financial statements.

## HALF-YEAR CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year condensed consolidated statement of changes in equity for the period from 1 January 2017 to 30 June 2017

(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
<b>As at 1 January 2017</b>	<b>5 869</b>	<b>71 608</b>	<b>212 554</b>	<b>(4 945)</b>	<b>70 807</b>	<b>355 893</b>	<b>355 893</b>
<b>Total comprehensive income for the financial year</b>							
Net profit	–	–	–	–	29 358	29 358	<b>29 358</b>
Other comprehensive income	–	–	–	(6 723)	–	(6 723)	<b>(6 723)</b>
<b>Total comprehensive income for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(6 723)</b>	<b>29 358</b>	<b>22 635</b>	<b>22 635</b>
<b>Transactions with the Parent Company's owners recognised directly in equity</b>							
Appropriation of profit/offset of loss (note 23)	–	–	35 438	–	(73 001)	(37 563)	<b>(37 563)</b>
- dividend payment	–	–	–	–	(37 563)	(37 563)	<b>(37 563)</b>
- transfer to other reserves	–	–	35 438	–	(35 438)	–	<b>–</b>
<b>As at 30 June 2017 (unaudited)</b>	<b>5 869</b>	<b>71 608</b>	<b>247 992</b>	<b>(11 668)</b>	<b>27 164</b>	<b>340 965</b>	<b>340 965</b>

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

**Consolidated statement of changes in equity for the period from 1 January 2016 to 31 December 2016**

(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
<b>As at 1 January 2016</b>	<b>5 869</b>	<b>71 608</b>	<b>189 092</b>	<b>(641)</b>	<b>108 121</b>	<b>374 049</b>	<b>374 049</b>
<b>Total comprehensive income for the financial year</b>							
Net profit	–	–	–	–	77 707	77 707	<b>77 707</b>
Other comprehensive income	–	–	–	(4 304)	–	(4 304)	<b>(4 304)</b>
<b>Total comprehensive income for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4 304)</b>	<b>77 707</b>	<b>73 403</b>	<b>73 403</b>
<b>Transactions with the Parent Company's owners recognised directly in equity</b>							
Appropriation of profit/offset of loss (note 23)	–	–	23 462	–	(115 021)	(91 559)	<b>(91 559)</b>
- dividend payment	–	–	–	–	(91 559)	(91 559)	<b>(91 559)</b>
- transfer to other reserves	–	–	23 462	–	(23 462)	–	<b>–</b>
<b>As at 31 December 2016 (audited)</b>	<b>5 869</b>	<b>71 608</b>	<b>212 554</b>	<b>(4 945)</b>	<b>70 807</b>	<b>355 893</b>	<b>355 893</b>

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

**Half-year condensed consolidated statement of changes in equity for the period from 1 January 2016 to 30 June 2016**

(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
<b>As at 1 January 2016</b>	<b>5 869</b>	<b>71 608</b>	<b>189 092</b>	<b>(641)</b>	<b>108 121</b>	<b>374 049</b>	<b>374 049</b>
<b>Total comprehensive income for the financial year</b>							
Net profit	–	–	–	–	23 047	23 047	<b>23 047</b>
Other comprehensive income	–	–	–	1 595	–	1 595	<b>1 595</b>
<b>Total comprehensive income for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 595</b>	<b>23 047</b>	<b>24 642</b>	<b>24 642</b>
<b>Transactions with the Parent Company's owners recognised directly in equity</b>							
Appropriation of profit/offset of loss (note 23)	–	–	23 462	–	(115 021)	(91 559)	<b>(91 559)</b>
- dividend payment	–	–	–	–	(91 559)	(91 559)	<b>(91 559)</b>
- transfer to other reserves	–	–	23 462	–	(23 462)	–	–
<b>As at 30 June 2016 (unaudited)</b>	<b>5 869</b>	<b>71 608</b>	<b>212 554</b>	<b>954</b>	<b>16 147</b>	<b>307 132</b>	<b>307 132</b>

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

## HALF-YEAR CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED	
		30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Cash flows from operating activities</b>			
Profit before tax		36 799	24 968
<b>Adjustments:</b>			
(Gain) loss on sale or disposal of items of property, plant and equipment		17	1
Amortization and depreciation		3 021	2 777
Foreign exchange (gains) losses from translation of own cash		4 072	(3 939)
Impairment of intangible assets	16	5 612	–
Other adjustments	27.2	(6 602)	1 554
<b>Changes</b>			
Change in provisions		(121)	347
Change in balance of financial assets and liabilities held for trading		(35 712)	3 950
Change in balance of restricted cash		(67 321)	(18 823)
Change in balance of loans granted and other receivables		(1 281)	(1 956)
Change in balance of prepayments and accruals		(1 915)	(2 210)
Change in balance of amounts due to customers		79 940	19 561
Change in balance of other liabilities	27.1	(3 654)	(3 418)
<b>Cash from operating activities</b>		<b>12 855</b>	<b>22 812</b>
Income tax paid		(6 299)	(13 198)
Interest		2	6
<b>Net cash from operating activities</b>		<b>6 558</b>	<b>9 620</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of items of property, plant and equipment		3	–
Expenses relating to payments for property, plant and equipment	17	(717)	(685)
Expenses relating to payments for intangible assets	16	(2 882)	(160)
<b>Net cash from investing activities</b>		<b>(3 596)</b>	<b>(845)</b>
<b>Cash flow from financing activities</b>			
Payments of liabilities under finance lease agreements		(77)	(51)
Interest paid under lease		(2)	(6)
Dividend paid to owners		(37 563)	(91 559)
<b>Net cash from financing activities</b>		<b>(37 642)</b>	<b>(91 616)</b>
<b>Increase (decrease) in net cash and cash equivalents</b>		<b>(34 680)</b>	<b>(82 841)</b>
<b>Cash and cash equivalents – opening balance</b>		<b>290 739</b>	<b>325 328</b>
<b>Effect of FX rates fluctuations on balance of cash in foreign currencies</b>		<b>(4 072)</b>	<b>3 939</b>
<b>Cash and cash equivalents – closing balance</b>	<b>13</b>	<b>251 987</b>	<b>246 426</b>

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

## **ADDITIONAL EXPLANATORY NOTES TO THE HALF-YEAR 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", "Parent Company", "Brokerage", "XTB") 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 015803782 and a tax identification (NIP) number 527-24-43-955.

The Parent Company's operations consist of conducting brokerage activities on the stock exchange and OTC markets (currency derivatives, commodities, indices, stocks and bonds). 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 organizational structure**

The half-year condensed consolidated financial statements cover the following foreign branches which form the Parent Company:

- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačná 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 Portuguesa – 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	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
		30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
XTB Limited	United Kingdom	100%	100%	100%
X Open Hub Sp. z o.o.	Poland	100%	100%	100%
DUB Investments Ltd	Cyprus	100%	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Turkey	100%	100%	100%
Lirsar S.A.	Uruguay	100%	100%	100%
XTB International	Belize	100%	–	–
XTB Chile SpA	Chile	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 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. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Turkish market of PLN 8 017 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years.

On 18 May 2017 the Management Board of Parent Company took a decision on withdrawal from activity in Turkey through taking actions intended to phase out XTB's activity on this market and liquidation of the subsidiary in Turkey. This decision was caused by the restrictions introduced by the Turkish supervisory authority which have resulted with a significant decrease of number of clients and consequently to a substantial reduction of XTB's Group activity in Turkey. Due to the above decision the Group recognized an impairment write-off of licence for brokerage activities on the Turkish market in the amount of PLN 5 612 thousand.

The Group's intention is to close the activity on the Turkish market which from the accounting point of view means the repayment of the capital / liquidation of the assets in the perspective of the next few months wherein depending on among others the external factors like current market situation in Turkey the Group's intentions in this scope can be subject to change. At the time of withdrawal from the Turkish market the Group, according to the applicable accounting rules, will be obliged to take action 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 effect of such translation will be recognized as financial expenses. The Group would like to explain that the amount of exchange rate differences concerning the investment in Turkey is derived among other the exchange rate of Turkish lira, which fluctuates therefore as at the date of these financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future.

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The Company's results are consolidated under the acquisition method as of the date of its acquisition.

On the 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.

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
<b>Total fair value</b>	<b>205</b>		<b>837</b>

### 1.3 Composition of the Parent Company's Management Board

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

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Mały	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Jakub Zabłocki	Chairman of the Management Board	10.01.2017	delegated for the position for the period of 3 months from the 10 January to 10 April 2017; delegation cancelled on the 23 March 2017
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March appointed for the new term of office
Omar Arnaout	Vice-Chairman of the Management Board	10.01.2017	from the 10 January appointed for the new term of office; on the 23 March 2017 appointed for the position of the Chairman of the Management Board
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Filip Kaczmarzyk	Board Member	10.01.2017	from the 10 January appointed for the new term of office



## **2. Professional judgement and uncertainty of estimates**

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2016.

## **3. Basis for drafting the financial statements**

### **3.1 Compliance statement**

These half-year condensed consolidated financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Group's operations or their impact would be immaterial.

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 half-year condensed consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2017 to 30 June 2017 with comparative data for the period from 1 January 2016 to 30 June 2016, as at 31 December 2016 and as at 30 June 2016 cover the Parent Company's financial data and financial data of the subsidiaries comprising the "Group".

These half-year condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities held for trading 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 half-year 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 half-year 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 2016.

The half-year condensed consolidated financial statements were approved by the Management Board of the Parent Company on 22 August 2017. Drafting these half-year condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

### **3.2 Functional currency and reporting currency**

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

### **3.3 Going concern**

The half-year 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 half-year 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 described in note 1.2.

### 3.4 Comparability of data and consistency of the policies applied

Data presented in the half-year condensed consolidated financial statements is comparable and prepared under the same principles for all periods covered by the half-year condensed consolidated financial statements.

### 3.5 Changes in the accounting policies

The accounting policies adopted in the preparation of the half-year condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2016. After 1 January 2016 no new or amended Standards or Interpretations have been issued that apply to the annual reporting periods beginning after 1 January 2016.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective in the light of the European Union regulations.

### 3.6 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:

- IFRS 9 Financial Instruments (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018;
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2016;
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) - effective for financial years beginning on or after 1 January 2018;
- 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;
- IFRS 16 Leases (issued on 13 January 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2017;
- Amendments to IAS 7 Disclosure Initiative (issued on 29 January 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2017;
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2018;
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – Amendments to IFRS 12 are effective for financial years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for financial years beginning on or after 1 January 2018;

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2018;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements - effective for financial years beginning on or after 1 January.

### 3.6.1 Implementation of IFRS 15

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. The basic principle of this standard is that the revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently at the stage of the preliminary analysis of the impact of IFRS 15 on its financial statements.

The Group runs homogenous business activity consisting in the sale of derivatives using the trading platforms to its customers. The Group is currently conducting a preliminary assessment of the impact of IFRS 15 on the amount of revenue from contracts with customers.

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice. The Group is currently at the stage of preparing the appropriate systems of internal control tests, policies and procedures necessary to collect and disclose the required information.

### 3.6.2 Implementation of IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group intends to apply the standard for the first time in the financial statements for 2018. The Group is currently at the stage of carrying out a preliminary analysis of the impact of IFRS 9 on its financial statements.

### 3.6.3 Implementation of other standards and interpretations

IFRS 16 was issued in January 2016. The new standards require lessees to recognize most of the lease contracts in their balance sheets as liabilities under the lease, together with the corresponding components of the asset for its right to use assets.

IFRS 16 is effective for annual periods beginning on January 1, 2019 onwards, with earlier application permitted. With regard to annual periods beginning on January 1, 2019 or later is required to complete retrospective application or modified retrospective application.

The Group does not expect the earlier application of the above standard. At the date of the authorization of these financial statements for publication, the Management Board has not yet completed its assessment of the impact of above standards and interpretations' implementation on the Group's accounting policies relating to its operations or financial results.

## 4. Adopted accounting policies

The accounting policies applied in the preparation of the half-year 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 2016, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2017.

## 5. Seasonality of operations

The Group's operations are not seasonal.

## 6. Operating income

### 6.1 Result of operations on financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>		
Index CFDs	64 525	63 668
Currency CFDs	40 742	28 143
Commodity CFDs	17 844	19 438
Stock CFDs	1 953	555
Bond CFDs	(257)	1 238
<b>Total CFDs</b>	<b>124 807</b>	<b>113 042</b>
<b>Options</b>		
Currency options	2 925	1 225
Index options	663	609
Commodity options	153	393
Bond options	2	11
<b>Total options</b>	<b>3 743</b>	<b>2 238</b>
<b>Shares and listed derivative instruments</b>	<b>(856)</b>	<b>–</b>
<b>Gross gain on transactions in financial instruments</b>	<b>127 694</b>	<b>115 280</b>
Bonuses and discounts paid to customers	(1 775)	(2 100)
Commission paid to cooperating brokers	(2 959)	(2 086)
<b>Net gain on transactions in financial instruments</b>	<b>122 960</b>	<b>111 094</b>

Bonuses paid to customers are related, among others, to trading in financial instruments by the customer with Group. Customers receive 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.

The Group concludes cooperation agreements with cooperating 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 customers that are not his customers.

### 6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Other fees and charges	2 247	2 698
<b>Total income from fees and charges</b>	<b>2 247</b>	<b>2 698</b>

Other fees and charges refer to commission received from institutional partners, under concluded agreements, and regulatory commission charged to retail customers.

## 6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Operating income</b>		
Central and Eastern Europe	50 165	46 973
- including Poland	24 322	26 621
Western Europe	67 041	58 361
- including Spain	28 791	28 981
Latin America and Turkey	8 038	8 481
<b>Total operating income</b>	<b>125 244</b>	<b>113 815</b>

The countries from which the Group derives each time 15% and over of its revenue are: Poland and Spain. 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)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Salaries	(28 704)	(31 503)
Social insurance and other benefits	(5 557)	(5 930)
Employee benefits	(2 006)	(1 101)
<b>Total salaries and employee benefits</b>	<b>(36 267)</b>	<b>(38 534)</b>

## 8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Marketing online	(9 155)	(17 032)
Marketing offline	(3 937)	(8 555)
Advertising campaigns	(544)	(6 645)
Competitions for customers	(84)	(68)
<b>Total marketing</b>	<b>(13 720)</b>	<b>(32 300)</b>

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)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Market data delivery	(2 052)	(1 363)
Support database systems	(1 684)	(2 030)
Legal and advisory services	(1 608)	(3 876)
Internet and telecommunications	(1 031)	(1 279)
IT services	(928)	(594)
Accounting and audit services	(902)	(948)
Recruitment	(199)	(286)
Postal and courier services	(84)	(92)
Other external services	(1 637)	(348)
<b>Total other external services</b>	<b>(10 125)</b>	<b>(10 816)</b>

Since 1 January 2017 the Group presents the costs of emailing system and sales system in the position of other external services. These costs in the first quarter of 2017 amounted to PLN 736 thousand. These costs in the analogical period of 2016 are presented as marketing online and amount to PLN 408 thousand.

## 10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Bank commissions	(1 364)	(1 149)
Stock exchange fees and charges	(1 136)	(1 048)
Commissions of foreign brokers	(121)	(114)
<b>Total commission expenses</b>	<b>(2 621)</b>	<b>(2 311)</b>

## 11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Interest income</b>		
Interest on own cash	1 985	2 367
Interest on customers' cash	425	498
<b>Total interest income</b>	<b>2 410</b>	<b>2 865</b>
Foreign exchange gains	–	6 794
Other finance income	11	14
<b>Total finance income</b>	<b>2 421</b>	<b>9 673</b>

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Interest expense</b>		
Interest paid to customers	(430)	(299)
Interest paid under lease agreements	(2)	(6)
Other interest	(45)	(108)
<b>Total interest expense</b>	<b>(477)</b>	<b>(413)</b>
Foreign exchange losses	(12 239)	(2 907)
Other finance costs	–	(6)
<b>Total finance costs</b>	<b>(12 716)</b>	<b>(3 326)</b>

Result on foreign exchange relates to 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 Group.

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT SIX-MONTH PERIOD ENDED 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	104 435	18 525	122 960	122 960
<b>CFDs</b>				
Index CFDs	47 914	16 611	64 525	64 525
Currency CFDs	37 898	2 844	40 742	40 742
Commodity CFDs	18 029	(185)	17 844	17 844
Stock CFDs	1 937	16	1 953	1 953
Bond CFDs	(198)	(59)	(257)	(257)
<b>Options</b>				
Currency options	2 925	–	2 925	2 925
Index options	663	–	663	663
Commodity options	153	–	153	153
Bond options	2	–	2	2
Shares	(856)	–	(856)	(856)
Bonuses and discounts paid to customers	(1 775)	–	(1 775)	(1 775)
Commissions paid to cooperating brokers	(2 257)	(702)	(2 959)	(2 959)
Fee and commission income	628	1 619	2 247	2 247
Other income	37	–	37	37
<b>Total operating income</b>	<b>105 100</b>	<b>20 144</b>	<b>125 244</b>	<b>125 244</b>
Salaries and employee benefits	(35 276)	(991)	(36 267)	(36 267)
Marketing	(13 097)	(623)	(13 720)	(13 720)
Other external services	(9 651)	(474)	(10 125)	(10 125)
Costs of maintenance and lease of buildings	(3 734)	(29)	(3 763)	(3 763)
Amortization and depreciation	(3 019)	(2)	(3 021)	(3 021)
Taxes and fees	(1 341)	(5)	(1 346)	(1 346)
Commission expense	(2 619)	(2)	(2 621)	(2 621)
Other expenses	(1 508)	(167)	(1 675)	(1 675)
<b>Total operating expenses</b>	<b>(70 245)</b>	<b>(2 293)</b>	<b>(72 538)</b>	<b>(72 538)</b>
<b>Operating profit</b>	<b>34 855</b>	<b>17 851</b>	<b>52 706</b>	<b>52 706</b>
<b>Impairment of intangible assets</b>	–	–	–	<b>(5 612)</b>
Finance income	–	–	–	2 421
Finance costs	–	–	–	(12 716)
<b>Profit before tax</b>	–	–	–	<b>36 799</b>
Income tax	–	–	–	(7 441)
<b>Net profit</b>	–	–	–	<b>29 358</b>



ASSETS AND LIABILITIES AS AT 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	385 434	57 529	442 963	442 963
Financial assets held for trading	128 831	6 119	134 950	134 950
Other assets	284 658	337	284 995	284 995
<b>Total assets</b>	<b>798 923</b>	<b>63 985</b>	<b>862 908</b>	<b>862 908</b>
Amounts due to customers	399 679	57 529	457 208	457 208
Financial liabilities held for trading	24 546	2 434	26 980	26 980
Other liabilities	37 736	19	37 755	37 755
<b>Total liabilities</b>	<b>461 961</b>	<b>59 982</b>	<b>521 943</b>	<b>521 943</b>

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	104 951	6 143	111 094	111 094
<b>CFDs</b>				
Index CFDs	59 315	4 353	63 668	63 668
Currency CFDs	26 519	1 624	28 143	28 143
Commodity CFDs	19 400	38	19 438	19 438
Bond CFDs	1 205	33	1 238	1 238
Stock CFDs	443	112	555	555
<b>Options</b>				
Currency options	1 219	6	1 225	1 225
Index options	608	1	609	609
Commodity options	389	4	393	393
Bond options	11	–	11	11
Bonuses and discounts paid to customers	(2 100)	–	(2 100)	(2 100)
Commissions paid to cooperating brokers	(2 058)	(28)	(2 086)	(2 086)
Fee and commission income	705	1 993	2 698	2 698
Other income	23	–	23	23
<b>Total operating income</b>	<b>105 679</b>	<b>8 136</b>	<b>113 815</b>	<b>113 815</b>
Salaries and employee benefits	(37 505)	(1 029)	(38 534)	(38 534)
Marketing	(32 162)	(138)	(32 300)	(32 300)
Other external services	(9 590)	(1 226)	(10 816)	(10 816)
Costs of maintenance and lease of buildings	(4 331)	(150)	(4 481)	(4 481)
Amortization and depreciation	(2 749)	(28)	(2 777)	(2 777)
Taxes and fees	(885)	(5)	(890)	(890)
Commission expense	(2 276)	(35)	(2 311)	(2 311)
Other expenses	(2 836)	(249)	(3 085)	(3 085)
<b>Total operating expenses</b>	<b>(92 334)</b>	<b>(2 860)</b>	<b>(95 194)</b>	<b>(95 194)</b>
<b>Operating profit</b>	<b>13 345</b>	<b>5 276</b>	<b>18 621</b>	<b>18 621</b>
Finance income	–	–	–	9 673
Finance costs	–	–	–	(3 326)
<b>Profit before tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>24 968</b>
Income tax	–	–	–	(1 921)
<b>Net profit</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23 047</b>

ASSETS AND LIABILITIES AS AT 31.12.2016 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	337 538	38 104	375 642	375 642
Financial assets held for trading	89 325	5 578	94 903	94 903
Other assets	324 947	1 261	326 208	326 208
<b>Total assets</b>	<b>751 810</b>	<b>44 943</b>	<b>796 753</b>	<b>796 753</b>
Amounts due to customers	339 164	38 104	377 268	377 268
Financial liabilities held for trading	20 399	2 246	22 645	22 645
Other liabilities	40 541	406	40 947	40 947
<b>Total liabilities</b>	<b>404 104</b>	<b>40 756</b>	<b>440 860</b>	<b>440 860</b>

ASSETS AND LIABILITIES AS AT 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	285 307	31 654	316 961	316 961
Financial assets held for trading	57 735	2 562	60 297	60 297
Other assets	293 181	830	294 011	294 011
<b>Total assets</b>	<b>636 223</b>	<b>35 046</b>	<b>671 269</b>	<b>671 269</b>
Amounts due to customers	288 983	31 654	320 637	320 637
Financial liabilities held for trading	9 685	523	10 208	10 208
Other liabilities	33 044	248	33 292	33 292
<b>Total liabilities</b>	<b>331 712</b>	<b>32 425</b>	<b>364 137</b>	<b>364 137</b>

## 13. Cash and cash equivalents

### Broken down by type

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
In hand	28	33	28
In current bank accounts	692 460	662 070	543 812
Short-term bank deposits	2 462	4 278	19 547
<b>Cash and cash equivalents in total</b>	<b>694 950</b>	<b>666 381</b>	<b>563 387</b>

### Restricted own and customers' cash

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Customers' cash and other monetary assets	442 963	375 642	316 961
Own cash and other monetary assets	251 987	290 739	246 426
<b>Cash and other monetary assets in total</b>	<b>694 950</b>	<b>666 381</b>	<b>563 387</b>

## 14. Financial assets held for trading

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>			
Index CFDs	70 175	58 200	37 131
Currency CFDs	32 530	20 774	11 505
Commodity CFDs	13 137	13 168	8 734
Stock CFDs	3 516	2 377	2 232
Bond CFDs	50	384	695
Shares	15 542	–	–
<b>Total financial assets held for trading</b>	<b>134 950</b>	<b>94 903</b>	<b>60 297</b>

Detailed information on the estimated fair value of the instrument is presented in note 32.1.1.

## 15. Loans and other receivables

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Gross amounts due from customers	2 876	3 791	4 445
Impairment write-downs of receivables	(2 468)	(2 539)	(1 818)
<b>Total amounts due from customers</b>	<b>408</b>	<b>1 252</b>	<b>2 627</b>
Trade receivables	3 433	1 775	1 913
Deposits	2 237	1 772	1 591
Statutory receivables	1 092	1 013	644
Impairment write-downs of receivables	(645)	(568)	(274)
<b>Total other receivables</b>	<b>6 525</b>	<b>5 244</b>	<b>6 501</b>

### Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Impairment write-downs of receivables – at the beginning of the reporting period</b>	<b>(3 107)</b>	<b>(1 430)</b>	<b>(1 430)</b>
write-downs recorded	(325)	(2 348)	(1 125)
write-downs reversed	78	282	194
write-downs utilized	241	389	269
<b>Impairment write-downs of receivables – at the end of the reporting period</b>	<b>(3 113)</b>	<b>(3 107)</b>	<b>(2 092)</b>

Write-downs of receivables created in 2017 and 2016 result from the debit balances which arose in customers' accounts in those periods.

## 16. Intangible assets

### Intangible assets in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
<b>Gross value as at 1 January 2017</b>	<b>5 190</b>	<b>10 792</b>	<b>8 017</b>	–	<b>23 999</b>
Additions	473	–	2 409	–	2 882
Sale and scrapping	(21)	–	–	–	(21)
Impairment of intangible assets	–	–	(5 612)	–	(5 612)
Net foreign exchange differences	(38)	–	–	–	(38)
<b>Gross value as at 30 June 2017</b>	<b>5 604</b>	<b>10 792</b>	<b>4 814</b>	–	<b>21 210</b>
<b>Accumulated amortization as at 1 January 2017</b>	<b>(4 350)</b>	<b>(7 451)</b>	<b>(2 138)</b>	–	<b>(13 939)</b>
Amortization for the current period	(239)	(1 079)	(816)	–	(2 134)
Sale and scrapping	21	–	–	–	21
Net foreign exchange differences	29	–	–	–	29
<b>Accumulated amortization as at 30 June 2017</b>	<b>(4 539)</b>	<b>(8 530)</b>	<b>(2 954)</b>	–	<b>(16 023)</b>
<b>Net book value as at 1 January 2017</b>	<b>840</b>	<b>3 341</b>	<b>5 879</b>	–	<b>10 060</b>
<b>Net book value as at 30 June 2017</b>	<b>1 065</b>	<b>2 262</b>	<b>1 860</b>	–	<b>5 187</b>

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.

In the period ended 30 June 2017 the Group recognized an impairment of licence for the brokerage activity in Turkey in the amount of PLN 5 612 thousand due to the process of liquidation of subsidiary in Turkey. There was no impairment in the analogical period. The impairment was presented in comprehensive income statement in line Impairment of intangible assets.

**Intangible assets in the period from 1 January 2016 to 31 December 2016 (audited)**

(IN PLN'000)	LICENCJE NA OPROGRAMOWANIE KOMPUTEROWE	WARTOŚCI NIEMATERIALNE WYTWORZONE WE WŁASNYM ZAKRESIE	POZOSTAŁE WARTOŚCI NIEMATERIALNE	ZALICZKI NA WARTOŚCI NIEMATERIALNE	RAZEM
<b>Gross value as at 1 January 2016</b>	<b>4 949</b>	<b>10 792</b>	<b>8 017</b>	–	<b>23 758</b>
Additions	230	–	–	–	230
Sale and scrapping	(4)	–	–	–	(4)
Net foreign exchange differences	15	–	–	–	15
<b>Gross value as at 31 December 2016</b>	<b>5 190</b>	<b>10 792</b>	<b>8 017</b>	–	<b>23 999</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(3 790)</b>	<b>(5 292)</b>	<b>(1 336)</b>	–	<b>(10 418)</b>
Amortization for the current period	(551)	(2 159)	(802)	–	(3 512)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	(11)	–	–	–	(11)
<b>Accumulated amortization as at 31 December 2016</b>	<b>(4 350)</b>	<b>(7 451)</b>	<b>(2 138)</b>	–	<b>(13 939)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 159</b>	<b>5 500</b>	<b>6 681</b>	–	<b>13 340</b>
<b>Net book value as at 31 December 2016</b>	<b>840</b>	<b>3 341</b>	<b>5 879</b>	–	<b>10 060</b>

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.

**Intangible assets in the period from 1 January 2016 to 30 June 2016 (unaudited)**

(IN PLN'000)	LICENCJE NA OPROGRAMOWANIE KOMPUTEROWE	WARTOŚCI NIEMATERIALNE WYTWORZONE WE WŁASNYM ZAKRESIE	POZOSTAŁE WARTOŚCI NIEMATERIALNE	ZALICZKI NA WARTOŚCI NIEMATERIALNE	RAZEM
<b>Gross value as at 1 January 2016</b>	<b>4 949</b>	<b>10 792</b>	<b>8 017</b>	–	<b>23 758</b>
Additions	160	–	–	–	160
Sale and scrapping	(1)	–	–	–	(1)
Net foreign exchange differences	33	–	–	–	33
<b>Gross value as at 30 June 2016</b>	<b>5 141</b>	<b>10 792</b>	<b>8 017</b>	–	<b>23 950</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(3 790)</b>	<b>(5 292)</b>	<b>(1 336)</b>	–	<b>(10 418)</b>
Amortization for the current period	(298)	(1 079)	(401)	–	(1 778)
Net foreign exchange differences	(30)	–	–	–	(30)
<b>Accumulated amortization as at 30 June 2016</b>	<b>(4 118)</b>	<b>(6 371)</b>	<b>(1 737)</b>	–	<b>(12 226)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 159</b>	<b>5 500</b>	<b>6 681</b>	–	<b>13 340</b>
<b>Net book value as at 30 June 2016</b>	<b>1 023</b>	<b>4 421</b>	<b>6 280</b>	–	<b>11 724</b>

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.

## 17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Gross value as at 1 January 2017</b>	<b>9 534</b>	<b>7 162</b>	<b>143</b>	–	<b>16 839</b>
Additions	475	385	(143)	–	717
Sale and scrapping	(158)	(449)	–	–	(607)
Net foreign exchange differences	(128)	(243)	–	–	(371)
<b>Gross value as at 30 June 2017</b>	<b>9 723</b>	<b>6 855</b>	–	–	<b>16 578</b>
<b>Accumulated amortization as at 1 January 2017</b>	<b>(7 530)</b>	<b>(5 563)</b>	–	–	<b>(13 093)</b>
Amortization for the current period	(560)	(327)	–	–	(887)
Sale and scrapping	148	439	–	–	587
Net foreign exchange differences	84	197	–	–	271
<b>Accumulated amortization as at 30 June 2017</b>	<b>(7 858)</b>	<b>(5 254)</b>	–	–	<b>(13 112)</b>
<b>Net book value as at 1 January 2017</b>	<b>2 004</b>	<b>1 599</b>	<b>143</b>	–	<b>3 746</b>
<b>Net book value as at 30 June 2017</b>	<b>1 865</b>	<b>1 601</b>	–	–	<b>3 466</b>



**Property, plant and equipment in the period from 1 January 2016 to 31 December 2016 (audited)**

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Gross value as at 1 January 2016</b>	<b>8 407</b>	<b>7 601</b>	<b>141</b>	–	<b>16 149</b>
Additions	1 342	212	–	–	1 554
Sale and scrapping	(190)	(602)	–	–	(792)
Net foreign exchange differences	(25)	(49)	2	–	(72)
<b>Gross value as at 31 December 2016</b>	<b>9 534</b>	<b>7 162</b>	<b>143</b>	–	<b>16 839</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(6 638)</b>	<b>(5 404)</b>	–	–	<b>(12 042)</b>
Amortization for the current period	(1 094)	(817)	–	–	(1 911)
Sale and scrapping	185	602	–	–	787
Net foreign exchange differences	17	56	–	–	73
<b>Accumulated amortization as at 31 December 2016</b>	<b>(7 530)</b>	<b>(5 563)</b>	–	–	<b>(13 093)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 769</b>	<b>2 197</b>	<b>141</b>	–	<b>4 107</b>
<b>Net book value as at 31 December 2016</b>	<b>2 004</b>	<b>1 599</b>	<b>143</b>	–	<b>3 746</b>

**Property, plant and equipment in the period from 1 January 2016 to 30 June 2016 (unaudited)**

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Gross value as at 1 January 2016</b>	<b>8 407</b>	<b>7 601</b>	<b>141</b>	–	<b>16 149</b>
Additions	593	125	(33)	–	685
Sale and scrapping	(18)	(6)	–	–	(24)
Net foreign exchange differences	39	93	2	–	134
<b>Gross value as at 30 June 2016</b>	<b>9 021</b>	<b>7 813</b>	<b>110</b>	–	<b>16 944</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(6 638)</b>	<b>(5 404)</b>	–	–	<b>(12 042)</b>
Amortization for the current period	(580)	(419)	–	–	(999)
Sale and scrapping	18	6	–	–	24
Net foreign exchange differences	(27)	(76)	–	–	(103)
<b>Accumulated amortization as at 30 June 2016</b>	<b>(7 227)</b>	<b>(5 893)</b>	–	–	<b>(13 120)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 769</b>	<b>2 197</b>	<b>141</b>	–	<b>4 107</b>
<b>Net book value as at 30 June 2016</b>	<b>1 794</b>	<b>1 920</b>	<b>110</b>	–	<b>3 824</b>

## Non-current assets by geographical area

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Non-current assets</b>			
Central and Eastern Europe	5 780	6 802	7 959
- including Poland	5 349	6 289	7 349
Western Europe	623	583	740
- including Spain	163	212	284
Latin America and Turkey	2 250	6 421	6 849
<b>Total non-current assets</b>	<b>8 653</b>	<b>13 806</b>	<b>15 548</b>

## 18. Amounts due to customers

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Amounts due to retail customers	399 679	339 164	288 983
Amounts due to institutional customers	57 529	38 104	31 654
<b>Total amounts due to customers</b>	<b>457 208</b>	<b>377 268</b>	<b>320 637</b>

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)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>			
Index CFDs	14 562	14 081	4 610
Currency CFDs	6 956	3 575	2 099
Commodity CFDs	3 499	3 574	2 683
Stock CFDs	1 905	1 369	782
Bond CFDs	58	46	34
<b>Financial liabilities held for trading in total</b>	<b>26 980</b>	<b>22 645</b>	<b>10 208</b>

## 20. Other liabilities

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Provisions for other employee benefits	7 423	10 894	9 090
Trade liabilities	6 307	6 433	9 452
Statutory liabilities	4 439	4 287	3 770
Liabilities due to employees	546	768	561
Liabilities under finance lease	182	258	324
Amounts due to the Central Securities Depository of Poland	65	53	42
<b>Total other liabilities</b>	<b>18 962</b>	<b>22 693</b>	<b>23 239</b>

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 Group 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 Group, 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 50% of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 50% of the value based on financial instruments, paid in the years 2015–2018.

As at 30 June 2017 the provision for variable remuneration elements amounted to PLN 350 thousand, as at 31 December 2016 it amounted to PLN 1,17 million and as at 30 June 2016 it amounted to PLN 1,19 million.

## 21. Provisions for liabilities and contingent liabilities

### 21.1 Provisions for liabilities

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Provision for retirement benefits	147	177	139
Provision for legal risk	680	771	1 079
<b>Total provisions</b>	<b>827</b>	<b>948</b>	<b>1 218</b>

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

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Group is a party. As at the date of preparation of these interim condensed consolidated financial statements, the Group is not able to specify when the above liabilities will be repaid.

#### Movements in provisions in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2017	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 30.06.2017
Provision for retirement benefits	177	–	–	30	147
Provision for legal risk	771	–	–	91	680
<b>Total provisions</b>	<b>948</b>	<b>–</b>	<b>–</b>	<b>121</b>	<b>827</b>

#### Movements in provisions in the period from 1 January 2016 to 31 December 2016 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 31.12.2016
Provision for retirement benefits	123	54	–	–	177
Provision for legal risk	748	309	286	–	771
<b>Total provisions</b>	<b>871</b>	<b>363</b>	<b>286</b>	<b>–</b>	<b>948</b>

#### Movements in provisions in the period from 1 January 2016 to 30 June 2016 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 30.06.2016
Provision for retirement benefits	123	16	–	–	139
Provision for legal risk	748	331	–	–	1 079
<b>Total provisions</b>	<b>871</b>	<b>347</b>	<b>–</b>	<b>–</b>	<b>1 218</b>

## 21.2 Contingent liabilities

The Parent Company and the Group Companies are parties to a number of court proceedings associated with the Group's operations. The proceedings in which the Parent Company and the Group companies act as defendants relate mainly to employees' and customers' claims. As at 30 June 2017, the total value of claims brought against the Parent Company and the Group companies, uncovered with the provisions, amounted to approx. PLN 6,06 million (as at 31 December 2016: PLN 5,79 million and as at 30 June 2016: PLN 4,67 million). Parent Company has not created provisions for the above proceedings. In the assessment of the Parent Company there is low probability of loss in these proceedings.

On May 9, 2014, the Parent Company issued a guarantee in the amount of 15 thousand USD to secure an agreement concluded by a subsidiary XTB Limited, based in 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 2 049 thousand.

On the 30 June 2016 the Parent company concluded the agreement with K3 System Sp. z o.o. for lease of computer hardware which is secured with a bill of exchange with the bill declaration for the maximum amount of PLN 200 thousand.

## 22. Equity

### Share capital structure as at 30 June 2017 (unaudited), 31 December 2016 (audited) and 30 June 2016 (unaudited)

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 Parent Company

To the best Company's knowledge, the shareholding structure of the Parent Company as at 30 June 2017 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 163 913	3 908	66,59%
Systemax SARL	22 280 207	1 114	18,98%
Other shareholders	16 939 515	847	14,43%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

To the best Company's knowledge, the shareholding structure of the Parent Company as at 31 December 2016 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 206 465	3 910	66,62%
Systemax SARL	22 285 876	1 114	18,99%
Other shareholders	16 891 294	845	14,39%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

On the 6 May 2016 the initial public offering was conducted, in which the key shareholder sold 16 433 709 shares in the Parent Company. After the allotment of the offer shares was made under the offering made on the 29 April 2016, the

Company received a notification from one of its shareholders, XXZW Investment Group S.A., with its registered office in Luxembourg, in accordance with Article 69 of the Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, informing that following the sale of 16 433 709 A-series ordinary shares in the Parent Company, the shareholder holds 78 446 216 shares/votes representing 66,83% share in the share capital/overall number of votes at the General Meeting of Shareholders.

The shareholding structure of the Parent Company as at 30 June 2016 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 446 216	3 922	66,83%
Systemax SARL	22 302 960	1 115	19,00%
Other shareholders	16 634 459	832	14,17%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

### Other capitals

Other capitals consist of:

- supplementary capital, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Group'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, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Parent Company or payment of dividend in the amount of PLN 247 992 thousand,
- 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 (11 668) thousand. The detailed information on exchange differences on translation of balances in foreign currencies is presented below.

(W TYS. PLN)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	291	514	516
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	273	227	222
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	226	649	639
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	–	39	38
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	–	122	122
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	(7)	382	380
Lirsar S.A.	(15)	72	(3)
XTB Chile SpA	(37)	–	–
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(65)	101	100
DUB Investments Ltd	(104)	69	71
XTB International	(177)	–	–
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(288)	(131)	(367)
XTB Limited	(744)	(101)	284
X Trade Brokers Menkul Değerler A.Ş.	(11 021)	(6 888)	(1 048)
<b>Total exchange differences on translation of balances in foreign currencies</b>	<b>(11 668)</b>	<b>(4 945)</b>	<b>954</b>

## 23. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2016 in the amount of PLN 72 999 thousand was partially earmarked for the payment of a dividend in the amount of PLN 37 563 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2016, paid on 23 May 2017, amounted to PLN 37 563 thousand. The amount of dividend per share paid for 2016 was equal to PLN 0,32.

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2015 in the amount of PLN 115 021 thousand was partially earmarked for the payment of a dividend in the amount of PLN 91 559 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2015, paid between 30 March to 8 April 2016, amounted to PLN 91 559. The amount of dividend per share paid for 2015 was equal to PLN 0,78.

## 24. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Parent Company 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 Parent Company 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)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Parent Company	29 358	23 047
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	341 640
Weighted average number of shares including dilution effect	117 383 635	117 725 275
Basic net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,25	0,20
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,25	0,20

## 25. Current income tax and deferred income tax

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

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

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

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

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

## 25.1 Income tax

### Income tax disclosed in the current period's profit or loss

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Income tax – current portion</b>		
Income tax for the reporting period	(4 445)	(5 226)
<b>Income tax – deferred portion</b>		
Occurrence / reversal of temporary differences	(2 996)	3 305
<b>Income tax disclosed in profit or loss</b>	<b>(7 441)</b>	<b>(1 921)</b>

### Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Profit before tax</b>	<b>36 799</b>	<b>24 968</b>
<b>Income tax based on the applicable tax rate of 19%</b>	<b>(6 992)</b>	<b>(4 744)</b>
Difference resulting from application of tax rates applicable in other countries	(32)	(166)
Non-taxable revenue	31	17
Non-deductible expenses	(315)	(281)
Realisation of tax losses for the preceding periods	16	29
Realisation of tax losses for the preceding periods (write-off of tax losses realised in the previous years)	–	3 348
Other items affecting the tax burden amount	(149)	(124)
<b>Income tax disclosed in profit or loss</b>	<b>(7 441)</b>	<b>(1 921)</b>

## 25.2 Deferred income tax

### Change in the balance of deferred tax for the period from 1 January to 30 June 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
<b>Deferred income tax assets:</b>			
Property, plant and equipment	100	1 071	1 171
Loans granted and other receivables	45	(22)	23
Financial liabilities held for trading	4 113	506	4 619
Provisions for liabilities	50	(3)	47
Prepayments and deferred costs	1 262	(71)	1 191
Other liabilities	22	(22)	–
Tax losses of previous periods to be settled in future periods	11 293	(774)	10 519
<b>Total deferred income tax assets</b>	<b>16 885</b>	<b>685</b>	<b>17 570</b>

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
<b>Deferred income tax provision:</b>			
Financial assets held for trading	17 143	3 701	20 844
Other liabilities	1	215	216
Loans granted and other receivables	4	(4)	–
Prepayments	21	(21)	–
Property, plant and equipment	658	(210)	448
<b>Total deferred income tax provision</b>	<b>17 827</b>	<b>3 681</b>	<b>21 508</b>
<b>Deferred tax disclosed in profit or (loss)</b>	<b>–</b>	<b>(2 996)</b>	<b>–</b>



(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 30.06.2017
<b>Deferred tax provision included in other comprehensive income:</b>			
Separate equity of branches	479	(374)	105
<b>Total deferred tax provision included in other comprehensive income</b>	<b>479</b>	<b>(374)</b>	<b>105</b>

**Change in the balance of deferred tax for the period from 1 January to 31 December 2016 (audited)**

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.12.2016
<b>Deferred income tax assets:</b>			
Property, plant and equipment	124	(24)	100
Loans granted and other receivables	3	42	45
Financial liabilities held for trading	1 840	2 273	4 113
Provisions for liabilities	16	34	50
Prepayments and deferred costs	1 665	(403)	1 262
Other liabilities	20	2	22
Tax losses of previous periods to be settled in future periods	12 112	(819)	11 293
<b>Total deferred income tax assets</b>	<b>15 780</b>	<b>1 105</b>	<b>16 885</b>

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.12.2016
<b>Deferred income tax provision:</b>			
Financial assets held for trading	11 866	5 277	17 143
Other liabilities	–	1	1
Loans granted and other receivables	34	(30)	4
Prepayments	–	21	21
Property, plant and equipment	1 092	(434)	658
<b>Total deferred income tax provision</b>	<b>12 992</b>	<b>4 835</b>	<b>17 827</b>
<b>Deferred tax disclosed in profit or (loss)</b>	<b>–</b>	<b>(3 730)</b>	<b>–</b>

(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 31.12.2016
<b>Deferred tax provision included in other comprehensive income:</b>			
Separate equity of branches	188	291	479
<b>Total deferred tax provision included in other comprehensive income</b>	<b>188</b>	<b>291</b>	<b>479</b>

**Change in the balance of deferred tax for the period from 1 January to 30 June 2016 (unaudited)**

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
<b>Deferred income tax assets:</b>			
Property, plant and equipment	124	27	151
Loans granted and other receivables	3	37	40
Financial liabilities held for trading	1 840	14	1 854
Provisions for liabilities	16	57	73
Prepayments and deferred costs	1 665	(342)	1 323
Other liabilities	20	71	91
Tax losses of previous periods to be settled in future periods*	12 112	2 518	14 630
<b>Total deferred income tax assets</b>	<b>15 780</b>	<b>2 382</b>	<b>18 162</b>

\* Deferred tax asset on tax losses recognized in 2016 concerns tax reliefs for tax losses of liquidated branch offices claimed by the Group

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
<b>Deferred income tax provision:</b>			
Cash and cash equivalents	–	1	1
Financial assets held for trading	11 866	(849)	11 017
Other liabilities	–	46	46
Loans granted and other receivables	34	(32)	2
Prepayments	–	150	150
Property, plant and equipment	1 092	(239)	853
<b>Total deferred income tax provision</b>	<b>12 992</b>	<b>(923)</b>	<b>12 069</b>
<b>Deferred tax disclosed in profit or (loss)</b>	<b>–</b>	<b>3 305</b>	<b>–</b>

(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 30.06.2016
<b>Deferred tax provision included in other comprehensive income:</b>			
Separate equity of branches	188	298	486
<b>Total deferred tax provision included in other comprehensive income</b>	<b>188</b>	<b>298</b>	<b>486</b>

#### Geographical division of deferred tax assets

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Deferred income tax assets</b>			
Central and Eastern Europe	86	114	135
- including Poland	–	–	–
Western Europe	10 514	11 340	11 920
- including Spain	–	–	–
Latin America and Turkey	19	171	69
<b>Total deferred income tax assets</b>	<b>10 619</b>	<b>11 625</b>	<b>12 124</b>

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2017 (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	6 949	21 611	–	14 662
Czech Republic	37	–	37	–
Slovakia	51	2	49	–
Germany	2 942	–	2 942	–
France	5 523	–	5 523	–
Great Britain	2 050	–	2 050	–
Turkey	18	–	18	–
<b>Total</b>	<b>17 570</b>	<b>21 613</b>	<b>10 619</b>	<b>14 662</b>

**Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2016 (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	5 261	18 305	–	13 044
Czech Republic	42	–	42	–
Slovakia	72	1	71	–
Germany	3 119	–	3 119	–
France	5 854	–	5 854	–
Great Britain	2 366	–	2 366	–
Turkey	171	–	171	–
<b>Total</b>	<b>16 885</b>	<b>18 306</b>	<b>11 623</b>	<b>13 044</b>

**Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2016 (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	6 010	12 527	–	6 517
Czech Republic	25	13	12	–
Slovakia	139	15	124	–
Germany	3 133	–	3 133	–
France	5 924	–	5 924	–
Great Britain	2 862	–	2 862	–
Turkey	69	–	69	–
<b>Total</b>	<b>18 162</b>	<b>12 555</b>	<b>12 124</b>	<b>6 517</b>

## 26. Related party transactions

### 26.1 Parent company

As at 30 June 2017 the key shareholder of the Parent Company is XXZW Investment Group S.A. with its registered office in Luxembourg which holds 66,59% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

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

### 26.2 Figures concerning related party transactions

As at 30 June 2017, 31 December 2016 and 30 June 2016 the Group had no settlements with related parties. In the periods covered by the half-year condensed consolidated financial statements there were no revenues or expenses resulting from transactions with related entities.

### 26.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Benefits to the Management Board members	(2 099)	(1 596)
Benefits to the Supervisory Board members	(39)	(66)
<b>Total benefits to the Management Board and Supervisory Board</b>	<b>(2 138)</b>	<b>(1 662)</b>

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 20 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 563 thousand.

Members of the Management Board of the Parent Company, within the framework of the Options Program described in note 26.4 of the consolidated financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

## 26.4 Share based payments

Pursuant to the Shareholders Agreement of the Parent Company of 28 March 2011, the Parent Company introduced an incentive scheme for the key employees, who received the right to shares of the Parent Company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the program depends on individual targets set for the employees in relation to the results of the Parent Company in specific years. The scheme covers the years 2011-2014. For 2011, rights to shares were acquired by three employees in the amount of 177 025 items, for 2012, one employee acquired rights to shares in the amount of 41 245 items, for 2013, one employee acquired rights to shares in the amount of 123 370 items and for 2014 and 2015, according to the best knowledge of the Parent Company's Management Board, no employee will acquire rights to shares. In total, the employees acquired 341 640 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462 thousand. The vesting period expired in 2015. Depending on individual contracts, the shares can be acquired starting from 2014 based on the participation rules specified in the Options Program.

On the 23 December 2016 two employees of X-Trade Brokers Dom Maklerski S.A. acquired 256 835 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

On the 4 January 2017 roku one employee of X-Trade Brokers Dom Maklerski S.A. acquired 84 805 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

For the shares options granted, the fair value of services rendered by the key employees is measured in relation to the fair value of rights granted as at the date of granting. The fair value of rights is determined based on option estimation models, which include among others execution price, share price as at the date of granting, expected variability of option value during the programme and other appropriate factors affecting fair value. The Parent Company assesses the probability of acquiring the rights in the programme, which affects the programme value in the costs for the period.

The following ratios were adopted in the valuation of the share option plan: volatility ratio of 54,69%, risk-free interest rate of 5,03%, weighted average share price of PLN 494,42.

No other features relating to grant of options were taken into consideration during fair value measurement.

Unrealized rights to shares

	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Unrealized rights to shares as at the beginning of the period</b>	84 805	341 640	341 640
Granted rights to shares	—	—	—
Lost rights to shares	—	—	—
Realized rights to shares	(84 805)	(256 835)	—
Expired rights to shares	—	—	—
<b>Unrealized rights to shares as at the end of the period</b>	—	<b>84 805</b>	<b>341 640</b>

Volatility used to measure the options was calculated on the basis of the average volatility of share prices of peer companies. Volatility in the peer group of companies was calculated based on historical daily rates of return. Based on the daily rates of return, the standard deviation was calculated and annualised, on the assumption that a trading year lasts 250

days. The period for which the rates of return were accounted for complied with the options exercise period. Volatility was calculated for each option in appropriate periods. Companies which were listed for a period shorter than the option exercise period were eliminated from the peer group.

## 26.5 Loans granted to the Management and Supervisory Board

As at 30 June 2017, 31 December 2016 and 30 June 2016 there are no loans granted to the Management and Supervisory Board members.

## 27. Supplementary information and explanations to the cash flow statement

### 27.1 Change in the balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Change in other liabilities	(3 731)	(3 469)
Payment of finance lease liabilities	77	51
<b>Change in balance of other liabilities</b>	<b>(3 654)</b>	<b>(3 418)</b>

### 27.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(6 723)	1 595
Foreign exchange differences on translation of financial instruments held for sale	22	(7)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	99	(34)
<b>Change in other adjustments</b>	<b>(6 602)</b>	<b>1 554</b>

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.

## 28. Post balance sheet events

On 27 July 2017 the Group purchased a subsidiary Jupette Limited with its seat in Cyprus, with share capital in the amount of EUR 1 000.

## 29. Customers' financial instruments and nominal values of transactions in derivatives (off balance sheet items)

### 29.1 Nominal value of derivatives

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>			
Index CFDs	1 912 190	1 832 652	860 306
Currency CFDs	1 665 559	1 753 101	734 614
Commodity CFDs	418 383	422 577	283 379
Stock CFDs	90 109	63 846	48 822
Bond CFDs	11 901	32 921	29 769
Shares	15 542	–	–
<b>Total nominal value of financial instruments</b>	<b>4 113 684</b>	<b>4 105 097</b>	<b>1 956 890</b>

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2017, transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2016: 25% of the total nominal value of instruments, as at 30 June 2016: 2% of the total nominal value of instruments).

### 29.2 Customers' financial instruments

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

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	186	201	221
Other securities registered in customers' securities accounts	332	341	340
<b>Total customers' financial instruments</b>	<b>518</b>	<b>542</b>	<b>561</b>

## 30. Items regarding compensation scheme

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>1. Contributions made to the compensation scheme</b>			
a) opening balance	2 687	2 204	2 204
- increases	281	483	224
b) closing balance	2 968	2 687	2 428
<b>2. XTB's share in the profits from the compensation scheme</b>	<b>191</b>	<b>180</b>	<b>164</b>

## 31. Capital management

The Group's principles of capital management are established in the "Capital management policy in 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 adequacy problem, described in detail in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A.".

As part of ICAAP, the Parent Company 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 Parent Company 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 examination program and supervisory audit and evaluation, as well as variable components of remuneration policy in 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 best 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 and from 30 April 2017 includes its subsidiary XTB International.

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 consolidated financial statements the Group was obliged to maintain the capital conservation buffer and countercyclical buffer.

#### Key values in capital management:

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>The Company's own funds</b>	<b>295 287</b>	<b>253 974</b>	<b>254 964</b>
Tier I Capital	295 287	253 974	254 964
Common Equity Tier I capital	295 287	253 974	254 964
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
<b>Total risk exposure</b>	<b>2 667 492</b>	<b>1 441 592</b>	<b>1 615 806</b>
Capital conservation buffer	33 344	18 020	20 197
Countercyclical capital buffer	334	568	872
<b>Combined buffer requirement</b>	<b>33 678</b>	<b>18 588</b>	<b>21 069</b>

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 30.06.2017 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD (UNAUDITED)	AS AT 31.12.2016 (AUDITED)	AS AT 30.06.2016 (UNAUDITED)
1. Capital/Own funds	295 287	257 434	253 974	254 964
1.1. Base capital/Common Equity Tier I without deductions	324 868	286 342	289 429	289 430
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(29 581)	(28 909)	(35 455)	(34 466)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
<b>I. Level of capitals subject to monitoring/Own funds</b>	<b>295 287</b>	<b>257 434</b>	<b>253 974</b>	<b>254 964</b>
1. Market risk	144 244	127 041	48 228	65 212
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	8 460	8 010	8 081	3 526
3. Credit risk	22 451	22 221	20 773	24 258
4. Operating risk	38 245	38 030	38 245	36 269
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
<b>IIa. Overall capital requirement</b>	<b>213 400</b>	<b>195 302</b>	<b>115 327</b>	<b>129 265</b>
<b>IIb. Total risk exposure</b>	<b>2 667 492</b>	<b>2 441 279</b>	<b>1 441 592</b>	<b>1 615 806</b>
Capital conservation buffer	33 344	30 516	18 020	20 197
Countercyclical capital buffer	334	941	568	872
<b>Combined buffer requirement</b>	<b>33 678</b>	<b>31 457</b>	<b>18 588</b>	<b>21 069</b>

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.

## 32. Risk management

There were no changes in the risk management system in the periods covered by the half-year condensed consolidated financial statements.

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 which includes members of the Supervisory Board. The Committee's key tasks include preparation of document concerning the risk appetite, providing opinions on strategies of risk management, supporting the Supervisory Board in overseeing the realisation of the risk management strategy, verification of remuneration policy and the rules of its realisation as far as the proper aligning the remuneration system to the risks to



which the brokerage house is exposed, to its capital, to liquidity and the probability and the time limits of combining the income.

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.

## 32.1 Fair value

### 32.1.1 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 customers and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items.

### 32.1.2 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)	30.06.2017 (UNAUDITED)			ŁĄCZNIE
	POZIOM 1	POZIOM 2	POZIOM 3	
<b>Financial assets</b>				
Financial assets held for trading	–	134 950	–	<b>134 950</b>
Financial assets available for sale	–	168	–	<b>168</b>
<b>Total assets</b>	–	<b>135 118</b>	–	<b>135 118</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	–	26 980	–	<b>26 980</b>
<b>Total liabilities</b>	–	<b>26 980</b>	–	<b>26 980</b>

(IN PLN'000)	31.12.2016 (AUDITED)			ŁĄCZNIE
	POZIOM 1	POZIOM 2	POZIOM 3	
<b>Financial assets</b>				
Financial assets held for trading	–	94 903	–	<b>94 903</b>
Financial assets available for sale	–	190	–	<b>190</b>
<b>Total assets</b>	–	<b>95 093</b>	–	<b>95 093</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	–	22 645	–	<b>22 645</b>
<b>Total liabilities</b>	–	<b>22 645</b>	–	<b>22 645</b>

(IN PLN'000)	30.06.2016 (UNAUDITED)			ŁĄCZNIE
	POZIOM 1	POZIOM 2	POZIOM 3	
<b>Financial assets</b>				
Financial assets held for trading	–	60 297	–	<b>60 297</b>
Financial assets available for sale	–	220	–	<b>220</b>
<b>Total assets</b>	–	<b>60 517</b>	–	<b>60 517</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	–	10 208	–	<b>10 208</b>
<b>Total liabilities</b>	–	<b>10 208</b>	–	<b>10 208</b>

In the periods covered by the half-year 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 Parent Company. 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.

## 32.2 Market risk

There were no changes in the market risk management system in the periods covered by the half-year condensed consolidated financial statements.

In the period covered by these 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 Group'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.

### 32.2.1 Currency risk

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

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

**Assets and liabilities denominated in foreign currencies as at 30 czerwca 2017 roku (UNAUDITED)**

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN							TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES		
Assets									
Own cash and cash equivalents	51 757	106 910	6 198	14 493	5 410	4 009	33 321	222 098	251 987
Customers' cash and cash equivalents	29 611	215 287	2 592	47 789	4 624	5 801	7 071	312 775	442 963
Financial assets held for trading	10 656	63 985	1 391	10 704	2 237	1 641	2 259	92 873	134 950
Financial assets available for sale	–	–	–	–	–	–	168	168	168
Income tax receivables	–	36	–	1 020	–	–	482	1 538	1 538
Loans granted and other receivables	2 151	2 462	690	88	–	84	324	5 799	6 525
Prepayments and deferred costs	–	123	400	114	–	11	174	822	5 505
Intangible assets	1 612	21	–	24	–	–	52	1 709	5 187
Property, plant and equipment	–	577	85	301	–	47	337	1 347	3 466
Deferred income tax assets	–	8 515	2 050	36	–	–	19	10 620	10 619
Total assets	95 787	397 916	13 406	74 569	12 271	11 593	44 207	649 749	862 908
Liabilities									
Amounts due to customers	40 469	221 300	3 435	47 930	5 387	5 845	2 165	326 531	457 208
Financial liabilities held for trading	1 782	14 016	334	2 296	168	441	521	19 558	26 980
Income tax liabilities	–	104	–	–	–	–	–	104	3 304
Other liabilities	174	5 888	1 414	950	–	223	1 451	10 100	18 962
Provisions for liabilities	–	93	–	–	–	440	51	584	827
Deferred income tax provision	–	–	–	–	–	–	–	–	14 662
Total liabilities	42 425	241 401	5 183	51 176	5 555	6 949	4 188	356 877	521 943

**Assets and liabilities denominated in foreign currencies as at 31 December 2016 (audited)**

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN							TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES		
Assets									
Own cash and cash equivalents	55 036	129 471	5 935	26 264	5 972	3 838	41 530	268 046	290 739
Customers’ cash and cash equivalents	24 459	181 706	2 555	36 311	4 400	5 072	5 600	260 103	375 642
Financial assets held for trading	6 401	39 237	424	8 125	2 452	2 243	1 980	60 862	94 903
Financial assets available for sale	–	–	–	–	–	–	190	190	190
Income tax receivables	–	14	–	1 001	–	–	–	1 015	1 016
Loans granted and other receivables	804	2 039	417	165	2	70	1 046	4 543	5 244
Prepayments and deferred costs	–	146	482	140	–	7	212	987	3 590
Intangible assets	–	32	–	39	–	–	44	115	10 060
Property, plant and equipment	–	506	131	364	–	24	498	1 523	3 746
Deferred income tax assets	–	9 044	2 365	42	–	–	171	11 625	11 623
Total assets	86 700	362 195	12 309	72 451	12 826	11 254	51 271	609 006	796 753
Liabilities									
Amounts due to customers	22 744	185 106	2 886	36 092	5 028	4 941	5 682	262 479	377 268
Financial liabilities held for trading	1 761	10 490	49	1 025	288	1 008	377	14 998	22 645
Income tax liabilities	–	296	–	–	–	–	34	330	4 262
Other liabilities	422	7 195	2 719	1 429	–	344	2 751	14 860	22 693
Provisions for liabilities	–	155	–	–	–	462	65	682	948
Deferred income tax provision	–	–	–	–	–	–	–	–	13 044
Total liabilities	24 927	203 242	5 654	38 546	5 316	6 755	8 909	293 349	440 860

**Assets and liabilities denominated in foreign currencies as at 30 June 2016 (unaudited)**

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN							TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES		
Assets									
Own cash and cash equivalents	52 031	99 968	5 154	24 137	4 644	3 581	46 749	236 264	246 426
Customers' cash and cash equivalents	19 020	161 959	2 125	31 025	4 597	4 549	4 610	227 885	316 961
Financial assets held for trading	2 956	26 783	345	4 135	1 313	975	1 543	38 050	60 297
Financial assets available for sale	–	–	–	–	–	–	220	220	220
Income tax receivables	–	30	–	2 554	–	–	254	2 838	8 469
Loans granted and other receivables	530	3 447	1 069	162	5	77	654	5 944	6 501
Prepayments and deferred costs	–	187	616	143	–	3	650	1 599	4 723
Intangible assets	–	43	–	35	–	2	57	137	11 724
Property, plant and equipment	–	622	185	440	–	24	512	1 783	3 824
Deferred income tax assets	–	9 182	2 862	11	–	–	70	12 125	12 124
Total assets	74 537	302 221	12 356	62 642	10 559	9 211	55 319	526 845	671 269
Liabilities									
Amounts due to customers	20 277	162 683	2 285	31 327	4 841	4 621	4 366	230 400	320 637
Financial liabilities held for trading	534	4 086	180	547	162	628	75	6 212	10 208
Income tax liabilities	–	299	–	–	–	–	–	299	2 318
Other liabilities	293	6 639	3 137	1 590	–	273	2 448	14 380	23 239
Provisions for liabilities	–	–	–	–	–	778	55	833	1 218
Deferred income tax provision	–	–	–	–	–	–	–	–	6 517
Total liabilities	21 104	173 707	5 602	33 464	5 003	6 300	6 944	252 124	364 137

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  $\pm 5\%$  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)	SIX-MONTH PERIOD ENDED			
	30.06.2017 (UNAUDITED)		30.06.2016 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES	DECREASE IN EXCHANGE RATES	INCREASE IN EXCHANGE RATES	DECREASE IN EXCHANGE RATES
	BY 5%	BY 5%	BY 5%	BY 5%
Income (expenses) of the period	7 923	(7 922)	8 114	(8 114)
Equity, of which:	3 348	(3 348)	4 173	(4 173)
Foreign exchange differences on translation	3 348	(3 348)	4 173	(4 173)

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

### 32.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Group to the adverse impact of exchange rate fluctuations. Such risk may result from the contracts entered into by the Group, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates. The basic interest rate risk for the Group is the mismatch of interest rates paid to 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. The interest rate risk is estimated as not significant for the Company'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)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Financial assets</b>			
Cash and cash equivalents	694 950	666 381	563 387
<b>Total financial assets</b>	<b>694 950</b>	<b>666 381</b>	<b>563 387</b>
<b>Financial liabilities</b>			
Amounts due to customers	116 973	95 994	100 099
Other liabilities	182	258	345
<b>Total financial liabilities</b>	<b>117 155</b>	<b>96 252</b>	<b>100 444</b>

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 June 2017 and from 1 January to 30 June 2016, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2017 (UNAUDITED)		30.06.2016 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit (loss) before tax	3 243	(3 243)	3 054	(3 054)

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

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

### 32.2.3 Other price risk

Other price risk is exposure of the Group's financial position to unfavorable 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)	30.06.2017 (AUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Financial assets held for trading</b>			
<b>Commodity CFDs</b>			
Precious metals	3 720	5 227	2 661
Base metals	230	198	158
Other	8 854	7 676	5 808
<b>Total commodity CFDs</b>	<b>12 804</b>	<b>13 101</b>	<b>8 627</b>
<b>Equity instruments</b>			
Stocks	18 944	2 353	2 167
Indices	69 285	58 078	37 019
<b>Total equity instruments</b>	<b>88 229</b>	<b>60 431</b>	<b>39 186</b>
<b>Debt instruments</b>	<b>48</b>	<b>380</b>	<b>683</b>
<b>Total financial assets held for trading</b>	<b>101 081</b>	<b>73 912</b>	<b>48 496</b>
<b>Financial liabilities held for trading</b>			
<b>Commodity CFDs</b>			
Precious metals	104	979	1 457
Base metals	80	56	71
Other	2 981	2 473	1 050
<b>Total commodity CFDs</b>	<b>3 165</b>	<b>3 508</b>	<b>2 578</b>
<b>Equity instruments</b>			
Stocks	1 798	1 345	719
Indices	13 672	13 950	4 504
<b>Total equity instruments</b>	<b>15 470</b>	<b>15 295</b>	<b>5 223</b>
<b>Debt instruments</b>	<b>56</b>	<b>42</b>	<b>22</b>
<b>Total financial liabilities held for trading</b>	<b>18 691</b>	<b>18 845</b>	<b>7 823</b>

The Group's sensitivity to fluctuations in the prices of specific commodities and equity investments by  $\pm 5\%$  with regard to equity and profit before tax is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2017 (UNAUDITED)		30.06.2016 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
<b>Income (expenses) of the period</b>				
<b>Commodity CFDs</b>				
Precious metals	(5 385)	5 385	1 888	(1 888)
Base metals	(167)	167	(119)	119
Other	(6 040)	6 040	(177)	177
<b>Total commodity CFDs</b>	<b>(11 592)</b>	<b>11 592</b>	<b>1 592</b>	<b>(1 592)</b>
<b>Equity instruments</b>				
Stocks	35	(35)	10	(10)
Indicies	1 277	(1 277)	6 814	(6 814)
<b>Total equity instruments</b>	<b>1 312</b>	<b>(1 312)</b>	<b>6 824</b>	<b>(6 824)</b>
<b>Debt instruments</b>	<b>293</b>	<b>(293)</b>	<b>1 316</b>	<b>(1 316)</b>
<b>Total income (expenses) for the period</b>	<b>(9 987)</b>	<b>9 987</b>	<b>9 732</b>	<b>(9 732)</b>

### 32.3 Liquidity risk

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

The objective of liquidity management 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 Parent Company uses the liquidity model described in the procedure for the management of own cash and cash equivalents. The essence of the model 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 Parent Company 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 Parent Company 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 Trading Department. Trading 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 consolidated 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.



Supervision and control operations concerning the balance of cash accounts are also performed by the Risk Control Department of Parent Company on a daily basis.

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 June 2017 (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
<b>Financial assets</b>							
Cash and cash equivalents	694 950	694 950	694 950	–	–	–	–
Financial assets held for trading							
CFDs	134 950	134 950	134 950	–	–	–	–
Total financial assets held for trading	134 950	134 950	134 950	–	–	–	–
Financial instruments available for sale	168	168	–	–	–	–	168
Loans granted and other receivables	6 525	6 525	4 288	–	2 237	–	–
<b>Total financial assets</b>	<b>836 593</b>	<b>836 593</b>	<b>834 188</b>	–	<b>2 237</b>	–	<b>168</b>
<b>Financial liabilities</b>							
Amounts due to customers	457 208	457 208	457 208	–	–	–	–
Financial liabilities held for trading							
CFDs	26 980	26 980	26 980	–	–	–	–
Total financial liabilities held for trading	26 980	26 980	26 980	–	–	–	–
Other liabilities	18 962	18 962	10 449	6 431	78	–	2 004
<b>Total financial liabilities</b>	<b>503 150</b>	<b>503 150</b>	<b>494 637</b>	<b>6 431</b>	<b>78</b>	–	<b>2 004</b>
Contractual liquidity gap in maturities (payment dates)			339 551	(6 431)	2 159	–	(1 836)
Contractual cumulative liquidity gap			339 551	333 120	335 279	335 279	333 443

**Contractual payment periods of financial assets and liabilities as at 31 December 2016 (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
<b>Financial assets</b>							
Cash and cash equivalents	666 381	666 381	666 381	–	–	–	–
Financial assets held for trading							
CFDs	94 903	94 903	94 903	–	–	–	–
Total financial assets held for trading	94 903	94 903	94 903	–	–	–	–
Financial instruments available for sale	190	190	–	–	–	–	190
Loans granted and other receivables	5 244	5 244	3 422	50	1 608	164	–
<b>Total financial assets</b>	<b>766 718</b>	<b>766 718</b>	<b>764 706</b>	<b>50</b>	<b>1 608</b>	<b>164</b>	<b>190</b>
<b>Financial liabilities</b>							
Amounts due to customers	377 268	377 268	377 268	–	–	–	–
Financial liabilities held for trading							
CFDs	22 645	22 645	22 645	–	–	–	–
Total financial liabilities held for trading	22 645	22 645	22 645	–	–	–	–
Other liabilities	22 693	22 693	15 415	7 129	149	–	–
<b>Total financial liabilities</b>	<b>422 606</b>	<b>422 606</b>	<b>415 328</b>	<b>7 129</b>	<b>149</b>	<b>–</b>	<b>–</b>
Contractual liquidity gap in maturities (payment dates)			349 378	(7 079)	1 459	164	190
Contractual cumulative liquidity gap			349 378	342 299	343 758	343 922	344 112

## Contractual payment periods of financial assets and liabilities as at 30 June 2016 (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
<b>Financial assets</b>							
Cash and cash equivalents	563 387	563 387	563 387	–	–	–	–
Financial assets held for trading							
CFDs	60 297	60 297	60 297	–	–	–	–
Total financial assets held for trading	60 297	60 297	60 297	–	–	–	–
Financial instruments available for sale	220	220	–	–	–	–	220
Loans granted and other receivables	6 501	6 501	4 867	42	1 428	164	–
<b>Total financial assets</b>	<b>630 405</b>	<b>630 405</b>	<b>628 551</b>	<b>42</b>	<b>1 428</b>	<b>164</b>	<b>220</b>
<b>Financial liabilities</b>							
Amounts due to customers	320 637	320 637	320 637	–	–	–	–
Financial liabilities held for trading							
CFDs	10 208	10 208	10 208	–	–	–	–
Total financial liabilities held for trading	10 208	10 208	10 208	–	–	–	–
Other liabilities	23 239	23 239	15 492	7 558	189	–	–
<b>Total financial liabilities</b>	<b>354 084</b>	<b>354 084</b>	<b>346 337</b>	<b>7 558</b>	<b>189</b>	<b>–</b>	<b>–</b>
Contractual liquidity gap in maturities (payment dates)			282 214	(7 516)	1 239	164	220
Contractual cumulative liquidity gap			282 214	274 698	275 937	276 101	276 321

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

## 32.4 Credit risk

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

(IN PLN'000)	30.06.2017 (UNAUDITED)		31.12.2016 (AUDITED)		30.06.2016 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
<b>Financial assets</b>						
Cash and cash equivalents	694 950	694 950	666 381	666 381	563 387	563 387
Financial assets held for trading *	134 950	9 643	94 903	9 649	60 297	2 602
Financial assets available for sale	168	168	190	190	220	220
Loans granted and other receivables	6 525	6 525	5 244	5 244	6 501	6 501
<b>Total financial assets</b>	<b>836 593</b>	<b>711 286</b>	<b>766 718</b>	<b>681 464</b>	<b>630 405</b>	<b>572 710</b>

\* As at 30 June 2017, the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 117 134 thousand (as at 31 December 2016: PLN 94 903 thousand, as at 30 June 2016: PLN 60 297 thousand). This exposure was collateralised with customers' cash, which, as at 30 June 2017, covered the amount of PLN 107 491 thousand (as at 31 December 2016: PLN 84 866 thousand, as at 30 June 2016: PLN 57 345 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 NP

### 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 30 June 2017, the Group had deposit accounts in 43 banks and institutions (as at 31 December 2016: in 38 banks and institutions, as at 30 June 2016: in 38 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period):

30.06.2017 (UNAUDITED)		31.12.2016 (AUDITED)		30.06.2016 (UNAUDITED)	
ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)
Bank 1	131 441	Bank 1	120 491	Bank 1	93 519
Bank 2	120 668	Bank 2	98 762	Bank 2	71 412
Bank 3	69 881	Bank 3	91 342	Bank 3	69 068
Bank 4	69 077	Bank 4	76 076	Bank 4	60 614
Bank 5	41 043	Bank 5	32 713	Bank 5	32 311
Bank 6	29 705	Bank 6	29 421	Bank 6	29 671
Bank 7	29 651	Bank 7	29 222	Bank 7	25 018
Bank 8	29 099	Bank 8	28 474	Bank 8	21 750
Bank 9	26 955	Bank 9	20 745	Bank 9	21 450
Bank 10	23 758	Bank 10	14 631	Bank 10	17 651
Other	123 672	Other	124 504	Other	120 923
<b>Total</b>	<b>694 950</b>	<b>Total</b>	<b>666 381</b>	<b>Total</b>	<b>563 387</b>

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	CREDIT QUALITY STEPS (IN PLN'000)		
	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Cash and cash equivalents</b>			
Step 1	580 513	568 719	220 685
Step 2	1 215	1 782	268 743
Step 3	94 368	74 049	56 261
Step 4	16 984	21 831	17 698
Step 5	1 870	–	–
<b>Total</b>	<b>694 950</b>	<b>666 381</b>	<b>563 387</b>

### Financial assets held for trading

Financial assets held for trading result from transactions in financial instruments entered into with the Group's customers and the related hedging transactions.

Credit risk involving financial assets held for trading 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 held for trading 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):

30.06.2017 (UNAUDITED)		31.12.2016 (AUDITED)		30.06.2016 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	2 138	Entity 1	892	Entity 1	288
Entity 2	872	Entity 2	840	Entity 2	260
Entity 3	428	Entity 3	838	Entity 3	232
Entity 4	359	Entity 4	669	Entity 4	158
Entity 5	349	Entity 5	429	Entity 5	108
Entity 6	316	Entity 6	390	Entity 6	102
Entity 7	298	Entity 7	385	Entity 7	87
Entity 8	282	Entity 8	299	Entity 8	86
Entity 9	257	Entity 9	159	Entity 9	81
Entity 10	239	Entity 10	155	Entity 10	79
<b>Total</b>	<b>5 538</b>	<b>Total</b>	<b>5 056</b>	<b>Total</b>	<b>1 481</b>

### Financial assets held to maturity

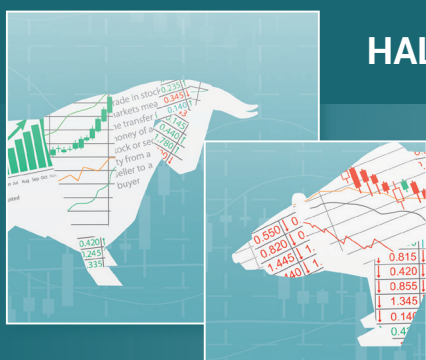
As at 30 June 2017, 31 December 2016 and 30 June 2016 there were no financial assets held to maturity.

### 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.



## HALF-YEAR CONDENSED FINANCIAL STATEMENTS



## HALF-YEAR CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED	
		30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Result of operations on financial instruments	6.1	109 917	88 999
Income from fees and charges	6.2	2 092	2 359
Other income		37	23
<b>Total operating income</b>	<b>6</b>	<b>112 046</b>	<b>91 381</b>
Salaries and employee benefits	7	(28 810)	(29 780)
Marketing	8	(12 389)	(25 304)
Other external services	9	(9 410)	(9 241)
Costs of maintenance and lease of buildings		(2 696)	(2 933)
Amortization and depreciation	17,18	(2 065)	(2 232)
Taxes and fees		(1 245)	(298)
Fee expenses	10	(2 234)	(1 998)
Other costs		(873)	(2 036)
<b>Total operating expenses</b>		<b>(59 722)</b>	<b>(73 822)</b>
<b>Profit on operating activities</b>		<b>52 324</b>	<b>17 559</b>
<b>Impairment of investments in subsidiaries</b>	<b>15</b>	<b>(9 720)</b>	<b>–</b>
Finance income	11	466	7 927
Finance costs	11	(12 683)	(4 124)
<b>Profit before tax</b>		<b>30 387</b>	<b>21 362</b>
Income tax	26	(5 901)	(1 221)
<b>Net profit</b>		<b>24 486</b>	<b>20 141</b>
<b>Other comprehensive income</b>		<b>(1 710)</b>	<b>1 000</b>
Items which will be reclassified to profit or loss after meeting specific conditions		(1 710)	1 000
– foreign exchange differences on translation of foreign operations		(117)	(269)
– foreign exchange differences on valuation of separated equity		(1 966)	1 567
– deferred income tax		373	(298)
<b>Total comprehensive income</b>		<b>22 776</b>	<b>21 141</b>
<b>Earnings per share:</b>			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	0,21	0,17
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,21	0,17
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	0,21	0,17
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,21	0,17

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



## HALF-YEAR CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>ASSETS</b>				
Own cash and cash equivalents	13	189 820	233 942	193 995
Customers' cash and cash equivalents	13	413 933	352 830	295 814
Financial assets held for trading	14	125 244	90 224	57 986
Investments in subsidiaries	15	59 205	66 095	66 095
Income tax receivables		1 055	1 016	8 215
Loans granted and other receivables	16	9 874	12 036	12 123
Prepayments and deferred costs		4 921	2 891	3 453
Intangible assets	17	3 275	4 136	5 387
Property, plant and equipment	18	3 043	3 115	3 122
Deferred income tax assets	26	8 551	9 086	9 193
<b>Total assets</b>		<b>818 921</b>	<b>775 371</b>	<b>655 383</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Amounts due to customers	19	409 102	350 821	303 546
Financial liabilities held for trading	20	23 793	21 647	9 756
Income tax liabilities		3 304	4 227	2 317
Other liabilities	21	18 532	20 438	20 842
Provisions for liabilities	22	776	883	1 162
Deferred income tax provision	26	13 926	13 080	6 552
<b>Total liabilities</b>		<b>469 433</b>	<b>411 096</b>	<b>344 175</b>
<b>Equity</b>				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	247 854	212 416	212 416
Foreign exchange differences on translation	23	163	1 873	1 664
Retained earnings		23 994	72 509	19 651
<b>Total equity</b>		<b>349 488</b>	<b>364 275</b>	<b>311 208</b>
<b>Total equity and liabilities</b>		<b>818 921</b>	<b>775 371</b>	<b>655 383</b>

The half-year condensed statement of financial position should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

## HALF-YEAR CONDENSED STATEMENT OF CHANGES IN EQUITY

Half-year condensed statement of changes in equity for the period from 1 January 2017 to 30 June 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
<b>As at 1 January 2017</b>	<b>5 869</b>	<b>71 608</b>	<b>212 416</b>	<b>1 873</b>	<b>72 509</b>	<b>364 275</b>
<b>Total comprehensive income for the financial year</b>						
Net profit	–	–	–	–	24 486	<b>24 486</b>
Other comprehensive income	–	–	–	(1 710)	–	<b>(1 710)</b>
<b>Total comprehensive income for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1 710)</b>	<b>24 486</b>	<b>22 776</b>
<b>Transactions with the Parent Company's owners recognised directly in equity</b>						
Appropriation of profit/offset of loss (note 24)	–	–	35 438	–	(73 001)	<b>(37 563)</b>
- dividend payment	–	–	–	–	(37 563)	<b>(37 563)</b>
- transfer to other reserves	–	–	35 438	–	(35 438)	<b>–</b>
<b>As at 30 June 2017 (unaudited)</b>	<b>5 869</b>	<b>71 608</b>	<b>35 438</b>	<b>163</b>	<b>23 994</b>	<b>349 488</b>

The half-year condensed statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

**Statement of changes in equity for the period from 1 January 2016 to 31 December 2016**

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
<b>As at 1 January 2016</b>	<b>5 869</b>	<b>71 608</b>	<b>188 954</b>	<b>664</b>	<b>114 531</b>	<b>381 626</b>
<b>Total comprehensive income for the financial year</b>						
Net profit	–	–	–	–	72 999	<b>72 999</b>
Other comprehensive income	–	–	–	1 209	–	<b>1 209</b>
<b>Total comprehensive income for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 209</b>	<b>72 999</b>	<b>74 208</b>
<b>Transactions with the Parent Company's owners recognised directly in equity</b>						
Appropriation of profit/offset of loss (note 24)	–	–	23 462	–	(115 021)	<b>(91 559)</b>
- dividend payment	–	–	–	–	(91 559)	<b>(91 559)</b>
- transfer to other reserves	–	–	23 462	–	(23 462)	<b>–</b>
<b>As at 31 December 2016 (audited)</b>	<b>5 869</b>	<b>71 608</b>	<b>212 416</b>	<b>1 873</b>	<b>72 509</b>	<b>364 275</b>

The statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

# Half-year condensed statement of changes in equity for the period from 1 January 2016 to 30 June 2016

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
<b>As at 1 January 2016</b>	<b>5 869</b>	<b>71 608</b>	<b>188 954</b>	<b>664</b>	<b>114 531</b>	<b>381 626</b>
<b>Total comprehensive income for the financial year</b>						
Net profit	–	–	–	–	20 141	<b>20 141</b>
Other comprehensive income	–	–	–	1 000	–	<b>1 000</b>
<b>Total comprehensive income for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 000</b>	<b>20 141</b>	<b>21 141</b>
<b>Transactions with the Parent Company's owners recognised directly in equity</b>						
Appropriation of profit/offset of loss (note 24)	–	–	23 462	–	(115 021)	<b>(91 559)</b>
- dividend payment	–	–	–	–	(91 559)	<b>(91 559)</b>
- transfer to other reserves	–	–	23 462	–	(23 462)	<b>–</b>
<b>As at 30 June 2016 (unaudited)</b>	<b>5 869</b>	<b>71 608</b>	<b>212 416</b>	<b>1 664</b>	<b>19 651</b>	<b>311 208</b>

The half-year condensed statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

## HALF-YEAR CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED	
		30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Cash flows from operating activities</b>			
Profit before tax		30 387	21 362
<b>Adjustments:</b>			
(Gain) Loss on sale or disposal of items of property, plant and equipment		8	1
Amortization and depreciation		2 065	2 232
Foreign exchange (gains) losses from translation of own cash		4 071	(3 952)
(Gain) Loss from investment activity	15	9 720	–
Other adjustments	28.3	(1 680)	958
<b>Changes</b>			
Change in provisions		(107)	331
Change in balance of financial assets and liabilities held for trading		(32 874)	4 536
Change in balance of restricted cash		(61 103)	(13 021)
Change in balance of loans granted and other receivables	28.1	1 432	1 830
Change in balance of prepayments and accruals		(2 031)	(1 272)
Change in balance of amounts due to customers		58 280	14 261
Change in balance of other liabilities	28.2	(1 829)	(5 122)
<b>Cash from operating activities</b>		<b>6 341</b>	<b>22 144</b>
Income tax paid		(5 482)	(12 796)
Interest		2	(3)
<b>Net cash from operating activities</b>		<b>861</b>	<b>9 345</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of items of property, plant and equipment		3	–
Expenses relating to payments for property, plant and equipment	18	(717)	(497)
Expenses relating to payments for intangible assets	17	(457)	(120)
Expenses relating to payments for investments in subsidiaries		(2 830)	–
Repayment of loans granted		732	–
<b>Net cash from investing activities</b>		<b>(3 269)</b>	<b>(617)</b>
<b>Cash flow from financing activities</b>			
Payments of liabilities under finance lease agreements		(77)	(51)
Interest paid under lease		(2)	(6)
Expenses relating to the increase of subsidiaries' capital		–	(2 648)
Dividend paid to owners		(37 563)	(91 559)
<b>Net cash from financing activities</b>		<b>(37 642)</b>	<b>(94 264)</b>
<b>Increase (decrease) in net cash and cash equivalents</b>		<b>(40 050)</b>	<b>(85 536)</b>
<b>Cash and cash equivalents – opening balance</b>		<b>233 942</b>	<b>275 592</b>
<b>Effect of FX rates fluctuations on balance of cash in foreign currencies</b>		<b>(4 072)</b>	<b>3 939</b>
<b>Cash and cash equivalents – closing balance</b>	<b>13</b>	<b>189 820</b>	<b>193 995</b>

The half-year condensed cash flow statement should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

## **ADDITIONAL EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED FINANCIAL STATEMENTS**

### **1. General information**

#### **1.1 Name and registered seat of the Company**

Name: X-Trade Brokers Dom Maklerski Spółka Akcyjna  
Legal form: Joint Stock Company  
Country: Poland  
Company registered seat: Ogrodowa 58, 00-876 Warsaw  
Regon statistical number: 015803782  
Tax Identification Number: 527-24-43-955  
Registration in the National Court Register: 0000217580

#### **1.2 Company business**

X-Trade Brokers Dom Maklerski is a joint-stock company established pursuant to a notarial deed of 2 September 2004 - Repertory A-2712/2004.

On 22 September 2004, the Company was entered in the National Court Register by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register, under No. 0000217580. The Company was granted a statistical REGON number 015803782 and a tax identification (NIP) number 527-24-43-955.

The Company's operations consist of conducting brokerage activities on the OTC markets (currency derivatives, commodities, indices, stocks and bonds). The 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.

#### **1.3 Information on the reporting entities in the Company's organizational structure**

The half-year condensed financial statements cover the following foreign branches which form the Company:

- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačná 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: CUI 24270192.
- 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: 4721939029.

- 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.
- X-Trade Brokers Dom Maklerski S.A., Sucursal Portuguesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register under No. 980436613.

## 1.4 Composition of the Company's Management Board

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

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Mały	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Jakub Zabłocki	Chairman of the Management Board	10.01.2017	delegated for the position for the period of 3 months from the 10 January to 10 April 2017; delegation cancelled on the 23 March 2017
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March appointed for the new term of office
Omar Arnaout	Vice-Chairman of the Management Board	10.01.2017	from the 10 January appointed for the new term of office; on the 23 March 2017 appointed for the position of the Chairman of the Management Board
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Filip Kaczmarzyk	Board Member	10.01.2017	from the 10 January appointed for the new term of office

## 2. Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2016.

## 3. Basis for drafting the financial statements

### 3.1 Compliance statement

These half-year condensed financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Company's operations or their impact would be immaterial.

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 half-year condensed financial statements of the X-Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2017 to 30 June 2017 with comparative data for the period from 1 January 2016 to 30 June 2016, as at 31 December 2016 and as at 30 June 2016 cover the Company's financial data and financial data of the branch offices.

These half-year condensed financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities held for trading and financial instruments held for sale which are measured at fair value. The Company's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The Company and its branch offices maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The half-year condensed financial statements include adjustments not recognised in the companies' accounting records, made in order to reconcile their financial statements with the IFRS.

The half-year condensed financial statements do not cover all information and disclosures required to be presented in annual financial statements and they should be read jointly with the financial statements of the X-Trade Brokers Dom Maklerski S.A. for the year 2016.

The half-year condensed financial statements were approved by the Management Board of the Company on 22 August 2017. Drafting these half-year condensed financial statements, the Company decided that none of the standards would be applied retrospectively.

### **3.2 Functional currency and reporting currency**

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

### **3.3 Going concern**

The half-year condensed financial statements were prepared based on the assumption that the Company would continue as a going concern in the foreseeable future. At the date of preparation of these half-year condensed financial statements, the Management Board of X-Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the company's continued operations.

### **3.4 Comparability of data and consistency of the policies applied**

Data presented in the half-year condensed financial statements is comparable and prepared under the same principles for all periods covered by the half-year condensed financial statements.

### **3.5 Changes in the accounting policies**

The accounting policies adopted in the preparation of the half-year condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016. After 1 January 2016 no new or amended Standards or Interpretations have been issued that apply to the annual reporting periods beginning after 1 January 2016.

The Company has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective in the light of the European Union regulations.

### **3.6 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:

- IFRS 9 Financial Instruments (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018;
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2016;
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) - effective for financial years beginning on or after 1 January 2018;
- 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;



- IFRS 16 Leases (issued on 13 January 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2017;
- Amendments to IAS 7 Disclosure Initiative (issued on 29 January 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2017;
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2018;
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – Amendments to IFRS 12 are effective for financial years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for financial years beginning on or after 1 January 2018;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2018;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January.

### 3.6.1 Implementation of IFRS 15

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. The basic principle of this standard is that the revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is currently at the stage of the preliminary analysis of the impact of IFRS 15 on its financial statements.

The Company runs homogenous business activity consisting in the sale of derivatives using the trading platforms to its customers. The Company is currently conducting a preliminary assessment of the impact of IFRS 15 on the amount of revenue from contracts with customers.

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice. The Company is currently at the stage of preparing the appropriate systems of internal control tests, policies and procedures necessary to collect and disclose the required information.

### 3.6.2 Implementation of IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge

accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company intends to apply the standard for the first time in the financial statements for 2018. The Company is currently at the stage of carrying out a preliminary analysis of the impact of IFRS 9 on its financial statements.

### 3.6.3 Implementation of other standards and interpretations

IFRS 16 was issued in January 2016. The new standards require lessees to recognize most of the lease contracts in their balance sheets as liabilities under the lease, together with the corresponding components of the asset for its right to use assets.

IFRS 16 is effective for annual periods beginning on January 1, 2019 onwards, with earlier application permitted. With regard to annual periods beginning on January 1, 2019 or later is required to complete retrospective application or modified retrospective application.

The Company does not expect the earlier application of the above standard. At the date of the authorization of these financial statements for publication, the Management Board has not yet completed its assessment of the impact of above standards and interpretations' implementation on the Company's accounting policies relating to its operations or financial results.

## 4. Adopted accounting policies

The accounting policies applied in the preparation of the half-year condensed financial statements are consistent with the accounting policies applied in the preparation of the annual financial statements for the financial year ended 31 December 2016, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2017.

## 5. Seasonality of operations

The Company's operations are not seasonal.

## 6. Operating income

### 6.1 Result of operations on financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>		
Index CFDs	64 547	63 584
Currency CFDs	40 309	28 068
Commodity CFDs	17 815	19 395
Stock CFDs	1 952	555
Bond CFDs	(258)	1 236
<b>Total CFDs</b>	<b>124 365</b>	<b>112 838</b>
<b>Options</b>		
Currency options	2 925	1 225
Index options	663	609
Commodity options	153	393
Bond options	2	11
<b>Total options</b>	<b>3 743</b>	<b>2 238</b>
<b>Shares and listed derivative instruments</b>	<b>(856)</b>	<b>–</b>
<b>Dividends from the subsidiaries</b>	<b>2 454</b>	<b>17</b>
<b>Gross gain on transactions in financial instruments</b>	<b>129 706</b>	<b>115 093</b>
Bonuses and discounts paid to customers	(1 331)	(1 648)
Commission paid to cooperating brokers	(18 458)	(24 446)
<b>Net gain on transactions in financial instruments</b>	<b>109 917</b>	<b>88 999</b>

Bonuses paid to customers are related, among others, to trading in financial instruments by the customer with Company. Customers receive 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.

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

## 6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Other fees and charges	2 092	2 359
<b>Total income from fees and charges</b>	<b>2 092</b>	<b>2 359</b>

Other fees and charges refer to commission received from institutional partners, under concluded agreements, and regulatory commission charged to retail customers.

## 6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Operating income</b>		
Central and Eastern Europe	50 139	46 751
- including Poland	24 296	26 399
Western Europe	61 752	44 664
- including Spain	28 791	28 981
Latin America and Turkey	155	(34)
<b>Total operating income</b>	<b>112 046</b>	<b>91 381</b>

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

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

## 7. Salaries and employee benefits

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Salaries	(23 018)	(24 008)
Social insurance and other benefits	(5 011)	(5 031)
Employee benefits	(781)	(741)
<b>Total salaries and employee benefits</b>	<b>(28 810)</b>	<b>(29 780)</b>

## 8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Marketing online	(7 955)	(13 437)
Marketing offline	(3 808)	(5 157)
Advertising campaigns	(544)	(6 645)
Competitions for customers	(82)	(65)
<b>Total marketing</b>	<b>(12 389)</b>	<b>(25 304)</b>

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

## 9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Market data delivery	(2 086)	(1 363)
Support database systems	(1 668)	(2 028)
Internet and telecommunications	(911)	(1 080)
Legal and advisory services	(910)	(3 242)
IT services	(770)	(354)
Accounting and audit services	(601)	(653)
Recruitment	(111)	(148)
Postal and courier services	(66)	(90)
Other external services	(2 287)	(283)
<b>Total other external services</b>	<b>(9 410)</b>	<b>(9 241)</b>

Since 1 January 2017 the Group presents the costs of emailing system and sales system in the position of other external services. These costs in the first quarter of 2017 amounted to PLN 736 thousand. These costs in the analogical period of 2016 are presented as marketing online and amount to PLN 408 thousand.

## 10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Stock exchange fees and charges	(1 136)	(1 048)
Bank commissions	(977)	(836)
Commissions of foreign brokers	(121)	(114)
<b>Total commission expenses</b>	<b>(2 234)</b>	<b>(1 998)</b>

## 11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Interest income</b>		
Interest on own cash	30	66
Interest on customers' cash	425	498
<b>Total interest income</b>	<b>455</b>	<b>564</b>
Foreign exchange gains	–	7 349
Other finance income	11	14
<b>Total finance income</b>	<b>466</b>	<b>7 927</b>

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Interest expense</b>		
Interest paid to customers	(430)	(298)
Interest paid under lease agreements	(2)	(6)
Other interest	(45)	(108)
<b>Total interest expense</b>	<b>(477)</b>	<b>(412)</b>
Foreign exchange losses	(12 206)	(3 707)
Other finance costs	–	(5)
<b>Total finance costs</b>	<b>(12 683)</b>	<b>(4 124)</b>

Result on foreign exchange relates to 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 Company'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 Company 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 Company does not allocate financial activity and corporate income tax burden on business segments.

COMPREHENSIVE INCOME STATEMENT SIX-MONTH PERIOD ENDED 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	93 612	16 305	109 917	109 917
<b>CFDs</b>				
Index CFDs	48 435	16 112	64 547	64 547
Currency CFDs	39 561	748	40 309	40 309
Commodity CFDs	17 609	206	17 815	17 815
Stock CFDs	1 952	–	1 952	1 952
Bond CFDs	(199)	(59)	(258)	(258)
<b>Options</b>				
Currency options	2 925	–	2 925	2 925
Index options	663	–	663	663
Commodity options	153	–	153	153
Bond options	2	–	2	2
<b>Shares</b>	<b>(856)</b>	–	<b>(856)</b>	<b>(856)</b>
<b>Dividends from the subsidiaries</b>	<b>2 454</b>	–	<b>2 454</b>	<b>2 454</b>
Bonuses and discounts paid to customers	(1 331)	–	(1 331)	(1 331)
Commissions paid to cooperating brokers	(17 756)	(702)	(18 458)	(18 458)
Fee and commission income	583	1 509	2 092	2 092
Other income	37	–	37	37
<b>Total operating income</b>	<b>94 232</b>	<b>17 814</b>	<b>112 046</b>	<b>112 046</b>
Salaries and employee benefits	(28 273)	(537)	(28 810)	(28 810)
Marketing	(12 214)	(175)	(12 389)	(12 389)
Other external services	(8 969)	(441)	(9 410)	(9 410)
Costs of maintenance and lease of buildings	(2 667)	(29)	(2 696)	(2 696)
Amortization and depreciation	(2 063)	(2)	(2 065)	(2 065)
Taxes and fees	(1 240)	(5)	(1 245)	(1 245)
Commission expense	(2 234)	–	(2 234)	(2 234)
Other expenses	(815)	(58)	(873)	(873)
<b>Total operating expenses</b>	<b>(58 475)</b>	<b>(1 247)</b>	<b>(59 722)</b>	<b>(59 722)</b>
<b>Operating profit</b>	<b>35 757</b>	<b>16 567</b>	<b>52 324</b>	<b>52 324</b>
<b>Impairment of investments in subsidiaries</b>	–	–	–	<b>(9 720)</b>
Finance income	–	–	–	466
Finance costs	–	–	–	(12 683)
<b>Profit before tax</b>	–	–	–	<b>30 387</b>
Income tax	–	–	–	(5 901)
<b>Net profit</b>	–	–	–	<b>24 486</b>

ASSETS AND LIABILITIES AS AT 30.06.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	371 056	42 877	413 933	413 933
Financial assets held for trading	120 075	5 169	125 244	125 244
Other assets	279 064	680	279 744	279 744
<b>Total assets</b>	<b>770 195</b>	<b>48 726</b>	<b>818 921</b>	<b>818 921</b>
Amounts due to customers	366 225	42 877	409 102	409 102
Financial liabilities held for trading	21 720	2 073	23 793	23 793
Other liabilities	36 527	11	36 538	36 538
<b>Total liabilities</b>	<b>424 472</b>	<b>44 961</b>	<b>469 433</b>	<b>469 433</b>

COMPREHENSIVE INCOME STATEMENT SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	82 856	6 143	88 999	88 999
<b>CFDs</b>				
Index CFDs	59 231	4 353	63 584	63 584
Currency CFDs	26 444	1 624	28 068	28 068
Commodity CFDs	19 357	38	19 395	19 395
Bond CFDs	1 203	33	1 236	1 236
Stock CFDs	443	112	555	555
<b>Options</b>				
Currency options	1 219	6	1 225	1 225
Index options	608	1	609	609
Commodity options	389	4	393	393
Bond options	11	–	11	11
Gain on transactions in financial instruments available for sale	17	–	17	17
Bonuses and discounts paid to customers	(1 648)	–	(1 648)	(1 648)
Commissions paid to cooperating brokers	(24 418)	(28)	(24 446)	(24 446)
Fee and commission income	739	1 620	2 359	2 359
Other income	23	–	23	23
<b>Total operating income</b>	<b>83 618</b>	<b>7 763</b>	<b>91 381</b>	<b>91 381</b>
Salaries and employee benefits	(29 316)	(464)	(29 780)	(29 780)
Marketing	(25 304)	–	(25 304)	(25 304)
Other external services	(8 916)	(325)	(9 241)	(9 241)
Costs of maintenance and lease of buildings	(2 902)	(31)	(2 933)	(2 933)
Amortization and depreciation	(2 212)	(20)	(2 232)	(2 232)
Taxes and fees	(295)	(3)	(298)	(298)
Commission expense	(1 998)	–	(1 998)	(1 998)
Other expenses	(2 017)	(19)	(2 036)	(2 036)
<b>Total operating expenses</b>	<b>(72 960)</b>	<b>(862)</b>	<b>(73 822)</b>	<b>(73 822)</b>
<b>Operating profit</b>	<b>10 658</b>	<b>6 901</b>	<b>17 559</b>	<b>17 559</b>
Finance income	–	–	–	7 927
Finance costs	–	–	–	(4 124)
<b>Profit before tax</b>	–	–	–	<b>21 362</b>
Income tax	–	–	–	(1 221)
<b>Net profit</b>	–	–	–	<b>20 141</b>



ASSETS AND LIABILITIES AS AT 31.12.2016 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	318 141	34 689	352 830	352 830
Financial assets held for trading	85 294	4 930	90 224	90 224
Other assets	330 784	1 533	332 317	332 317
<b>Total assets</b>	<b>734 219</b>	<b>41 152</b>	<b>775 371</b>	<b>775 371</b>
Amounts due to customers	316 132	34 689	350 821	350 821
Financial liabilities held for trading	19 583	2 064	21 647	21 647
Other liabilities	38 222	406	38 628	38 628
<b>Total liabilities</b>	<b>373 937</b>	<b>37 159</b>	<b>411 096</b>	<b>411 096</b>

ASSETS AND LIABILITIES AS AT 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	264 160	31 654	295 814	295 814
Financial assets held for trading	55 424	2 562	57 986	57 986
Other assets	301 028	555	301 583	301 583
<b>Total assets</b>	<b>620 612</b>	<b>34 771</b>	<b>655 383</b>	<b>655 383</b>
Amounts due to customers	271 892	31 654	303 546	303 546
Financial liabilities held for trading	9 233	523	9 756	9 756
Other liabilities	30 626	247	30 873	30 873
<b>Total liabilities</b>	<b>311 751</b>	<b>32 424</b>	<b>344 175</b>	<b>344 175</b>

### 13. Cash and cash equivalents

#### Broken down by type

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
In current bank accounts	603 259	582 494	470 262
Short-term bank deposits	494	4 278	19 547
<b>Cash and cash equivalents in total</b>	<b>603 753</b>	<b>586 772</b>	<b>489 809</b>

#### Restricted own and customers' cash

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Customers' cash and cash equivalents	413 933	352 830	295 814
Own cash and cash equivalents	189 820	233 942	193 995
<b>Cash and cash equivalents in total</b>	<b>603 753</b>	<b>586 772</b>	<b>489 809</b>

### 14. Financial assets held for trading

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>			
Index CFDs	65 154	54 459	36 020
Currency CFDs	28 988	20 164	10 821
Commodity CFDs	12 145	12 896	8 320
Stock CFDs	3 367	2 341	2 161
Bond CFDs	48	364	664
<b>Shares</b>	<b>15 542</b>	–	–
<b>Total financial assets held for trading</b>	<b>125 244</b>	<b>90 224</b>	<b>57 986</b>

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

### 15. Investments in subsidiaries

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>At the beginning of the reporting period</b>	<b>66 095</b>	<b>63 447</b>	<b>63 447</b>
Increase	2 830	2 648	2 648
Decrease	–	–	–
Impairment	(9 720)	–	–
<b>At the end of the reporting period</b>	<b>59 205</b>	<b>66 095</b>	<b>66 095</b>

## Detailed information on subsidiaries

NAME OF SUBSIDIARY	COUNTRY OF REGISTERED OFFICE	30.06.2017 (UNAUDITED)		31.12.2016 (AUDITED)		30.06.2016 (UNAUDITED)	
		NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE IN CAPITAL %
XTB Limited	Great Britain	20 139	100%	20 139	100%	20 139	100%
X Open Hub Sp. z o.o.	Poland	5	100%	5	100%	5	100%
DUB Investments	Cyprus	4 568	100%	4 568	100%	4 568	100%
X-Trade Brokers Menkul Degerler A.Ş.	Turkey	31 647	100%	41 367	100%	41 367	100%
Lirsar S.A.	Uruguay	16	100%	16	100%	16	100%
XTB International Limited	Belize	2 427	100%	–	–	–	–
XTB Chile SpA	Chile	403	100%	–	–	–	–
<b>Total</b>		<b>59 205</b>		<b>66 095</b>		<b>66 095</b>	

In February 2016 the Company acquired 1 000 new shares in the capital increase of its subsidiary DUB Investments Ltd with a total nominal value of EUR 1 000, additionally the value of each share was increased by share premium in the amount of EUR 599, the total value of share premium amounted to EUR 599 000. The value of shares in the reporting currency amounted to PLN 2 648 thousand.

As a result of the above transaction the Company kept 100% share in subsidiary's capital.

On 17 February 2017 the Company created subsidiary XTB Chile SpA. The Company has 100% shares in subsidiary. XTB Chile SpA will provide services to acquire customers from the territory of Chile.

On 23 February 2017 the Company purchased 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 this company changed its name from CFDs Prime Limited to XTB International Limited.

The scope of activities of subsidiaries:

- XTB Limited – brokerage activity
- DUB Investments Ltd – brokerage activity
- X Open Hub Sp. z o.o. – applications and electronic trading technology offering
- X Trade Brokers Menkul Değerler A.Ş. – brokerage activity
- Lirsar S.A. – financial advisory
- XTB Chile SpA – brokerage activity
- XTB International Limited – brokerage activity

## Impairment of investments in subsidiaries

In the period ended 30 June 2017 the Company recognized a write-off due to impairment of its investment in a subsidiary in Turkey in the amount of PLN 9 720. The impairment was recognized due to the decision made by the Company's Management Board on the 18 May 2017 to withdraw from activity in Turkey through taking actions intended to phase out XTB's activity on this market and liquidation of the subsidiary in Turkey. In the analogical period of previous year the impairment write-off did not occur. The impairment write-off was presented as impairment of investments in subsidiaries in comprehensive income statement.

## 16. Loans and other receivables

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Gross amounts due from customers</b>	9 570	11 578	10 786
Impairment write-downs of receivables	(2 468)	(2 539)	(1 818)
<b>Total amounts due from customers</b>	<b>7 102</b>	<b>9 039</b>	<b>8 968</b>
Deposits	1 636	1 096	961
Trade receivables due from related parties	640	638	847
Trade receivables	311	388	594
Statutory receivables	185	145	115
Loans granted to related parties	–	730	638
<b>Total other receivables</b>	<b>9 874</b>	<b>12 036</b>	<b>12 123</b>

### Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Impairment write-downs of receivables – at the beginning of the reporting period</b>	<b>(2 539)</b>	<b>(1 044)</b>	<b>(1 044)</b>
Write-downs recorded	–	(1 658)	(769)
Write-downs reversed	78	282	125
Write-downs utilized	(7)	(119)	(130)
<b>Impairment write-downs of receivables – at the end of the reporting period</b>	<b>(2 468)</b>	<b>(2 539)</b>	<b>(1 818)</b>

Write-downs of receivables in 2017 and 2016 resulted from the debit balances which arose in customers' accounts in those periods.

## 17. Intangible assets

Intangible assets in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
<b>Gross value as at 1 January 2017</b>	<b>5 031</b>	<b>10 792</b>	–	–	<b>15 823</b>
Additions	457	–	–	–	457
Sale and scrapping	(21)	–	–	–	(21)
Net foreign exchange differences	(20)	–	–	–	(20)
<b>Gross value as at 30 June 2017</b>	<b>5 447</b>	<b>10 792</b>	–	–	<b>16 239</b>
<b>Accumulated amortization as at 1 January 2017</b>	<b>(4 236)</b>	<b>(7 451)</b>	–	–	<b>(11 687)</b>
Amortization for the current period	(237)	(1 079)	–	–	(1 316)
Sale and scrapping	21	–	–	–	21
Net foreign exchange differences	18	–	–	–	18
<b>Accumulated amortization as at 30 June 2017</b>	<b>(4 434)</b>	<b>(8 530)</b>	–	–	<b>(12 964)</b>
<b>Net book value as at 1 January 2017</b>	<b>795</b>	<b>3 341</b>	–	–	<b>4 136</b>
<b>Net book value as at 30 June 2017</b>	<b>1 013</b>	<b>2 262</b>	–	–	<b>3 275</b>

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

**Intangible assets in the period from 1 January 2016 to 31 December 2016 (audited)**

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
<b>Gross value as at 1 January 2016</b>	<b>4 822</b>	<b>10 792</b>	–	–	<b>15 614</b>
Additions	184	–	–	–	184
Sale and scrapping	(4)	–	–	–	(4)
Net foreign exchange differences	29	–	–	–	29
<b>Gross value as at 31 December 2016</b>	<b>5 031</b>	<b>10 792</b>	–	–	<b>15 823</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(3 696)</b>	<b>(5 292)</b>	–	–	<b>(8 988)</b>
Amortization for the current period	(516)	(2 159)	–	–	(2 675)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	(26)	–	–	–	(26)
<b>Accumulated amortization as at 31 December 2016</b>	<b>(4 236)</b>	<b>(7 451)</b>	–	–	<b>(11 687)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 126</b>	<b>5 500</b>	–	–	<b>6 626</b>
<b>Net book value as at 31 December 2016</b>	<b>795</b>	<b>3 341</b>	–	–	<b>4 136</b>

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

**Intangible assets in the period from 1 January 2016 to 30 June 2016 (unaudited)**

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
<b>Gross value as at 1 January 2016</b>	<b>4 822</b>	<b>10 792</b>	–	–	<b>15 614</b>
Additions	120	–	–	–	120
Sale and scrapping	(1)	–	–	–	(1)
Net foreign exchange differences	29	–	–	–	29
<b>Gross value as at 30 June 2016</b>	<b>4 970</b>	<b>10 792</b>	–	–	<b>15 762</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(3 696)</b>	<b>(5 292)</b>	–	–	<b>(8 988)</b>
Amortization for the current period	(282)	(1 079)	–	–	(1 361)
Net foreign exchange differences	(26)	–	–	–	(26)
<b>Accumulated amortization as at 30 June 2016</b>	<b>(4 004)</b>	<b>(6 371)</b>	–	–	<b>(10 375)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 126</b>	<b>5 500</b>	–	–	<b>6 626</b>
<b>Net book value as at 30 June 2016</b>	<b>966</b>	<b>4 421</b>	–	–	<b>5 387</b>

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

## 18. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Gross value as at 1 January 2017</b>	<b>8 726</b>	<b>5 724</b>	<b>143</b>	–	<b>14 593</b>
Additions	475	385	(143)	–	717
Sale and scrapping	(158)	(161)	–	–	(319)
Net foreign exchange differences	(50)	(100)	–	–	(150)
<b>Gross value as at 30 June 2017</b>	<b>8 993</b>	<b>5 848</b>	<b>–</b>	<b>–</b>	<b>14 841</b>
<b>Accumulated amortization as at 1 January 2017</b>	<b>(7 050)</b>	<b>(4 428)</b>	–	–	<b>(11 478)</b>
Amortization for the current period	(507)	(242)	–	–	(749)
Sale and scrapping	148	159	–	–	307
Net foreign exchange differences	39	83	–	–	122
<b>Accumulated amortization as at 30 June 2017</b>	<b>(7 370)</b>	<b>(4 428)</b>	<b>–</b>	<b>–</b>	<b>(11 798)</b>
<b>Net book value as at 1 January 2017</b>	<b>1 676</b>	<b>1 296</b>	<b>143</b>	–	<b>3 115</b>
<b>Net book value as at 30 June 2017</b>	<b>1 623</b>	<b>1 420</b>	<b>–</b>	<b>–</b>	<b>3 043</b>



**Property, plant and equipment in the period from 1 January 2016 to 31 December 2016 (audited)**

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Gross value as at 1 January 2016</b>	<b>7 710</b>	<b>6 115</b>	<b>141</b>	–	<b>13 966</b>
Additions	1 167	118	–	–	1 285
Sale and scrapping	(190)	(602)	–	–	(792)
Net foreign exchange differences	39	93	2	–	134
<b>Gross value as at 31 December 2016</b>	<b>8 726</b>	<b>5 724</b>	<b>143</b>	–	<b>14 593</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(6 180)</b>	<b>(4 329)</b>	–	–	<b>(10 509)</b>
Amortization for the current period	(1 026)	(633)	–	–	(1 659)
Sale and scrapping	187	602	–	–	789
Net foreign exchange differences	(31)	(68)	–	–	(99)
<b>Accumulated amortization as at 31 December 2016</b>	<b>(7 050)</b>	<b>(4 428)</b>	–	–	<b>(11 478)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 530</b>	<b>1 786</b>	<b>141</b>	–	<b>3 457</b>
<b>Net book value as at 31 December 2016</b>	<b>1 676</b>	<b>1 296</b>	<b>143</b>	–	<b>3 115</b>

**Property, plant and equipment in the period from 1 January 2016 to 30 June 2016 (unaudited)**

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Gross value as at 1 January 2016</b>	<b>7 710</b>	<b>6 115</b>	<b>141</b>	–	<b>13 966</b>
Additions	440	90	(33)	–	497
Sale and scrapping	(18)	(6)	–	–	(24)
Net foreign exchange differences	40	94	2	–	136
<b>Gross value as at 30 December 2016</b>	<b>8 172</b>	<b>6 293</b>	<b>110</b>	–	<b>14 575</b>
<b>Accumulated amortization as at 1 January 2016</b>	<b>(6 180)</b>	<b>(4 329)</b>	–	–	<b>(10 509)</b>
Amortization for the current period	(527)	(344)	–	–	(871)
Sale and scrapping	18	6	–	–	24
Net foreign exchange differences	(29)	(68)	–	–	(97)
<b>Accumulated amortization as at 30 June 2016</b>	<b>(6 718)</b>	<b>(4 735)</b>	–	–	<b>(11 453)</b>
<b>Net book value as at 1 January 2016</b>	<b>1 530</b>	<b>1 786</b>	<b>141</b>	–	<b>3 457</b>
<b>Net book value as at 30 June 2016</b>	<b>1 454</b>	<b>1 558</b>	<b>110</b>	–	<b>3 122</b>

## Non-current assets by geographical area

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Non-current assets</b>			
Central and Eastern Europe	5 780	6 801	7 959
- including Poland	5 349	6 289	7 349
Western Europe	538	450	550
- including Spain	163	212	284
<b>Total non-current assets</b>	<b>6 318</b>	<b>7 251</b>	<b>8 509</b>

## 19. Amounts due to customers

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Amounts due to retail customers	366 225	316 132	271 892
Amounts due to institutional customers	42 877	34 689	31 654
<b>Total amounts due to customers</b>	<b>409 102</b>	<b>350 821</b>	<b>303 546</b>

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

## 20. Financial liabilities held for trading

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>			
Index CFDs	12 758	13 368	4 459
Currency CFDs	6 031	3 406	1 999
Commodity CFDs	3 180	3 485	2 560
Stock CFDs	1 769	1 345	715
Bond CFDs	55	43	23
<b>Financial liabilities held for trading in total</b>	<b>23 793</b>	<b>21 647</b>	<b>9 756</b>

## 21. Other liabilities

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Trade liabilities	6 942	7 472	9 232
Provisions for other employee benefits	6 758	8 392	7 761
Statutory liabilities	4 111	3 690	3 048
Liabilities due to employees	474	573	435
Liabilities under finance lease	182	258	324
Amounts due to the Central Securities Depository of Poland	65	53	42
<b>Total other liabilities</b>	<b>18 532</b>	<b>20 438</b>	<b>20 842</b>

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 Company, the employees of the Company in the top management positions receive variable remuneration paid in cash.

The value of provisions for employee benefits includes 50 per cent of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 50 per cent of the value based on financial instruments, paid in the years 2015–2018.

As at 30 June 2017, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 350 thousand, as at 31 December 2016 in the amount of PLN 1,17 million and as at 30 June 2016 in the amount of PLN 1,19 million.

## 22. Provisions for liabilities and contingent liabilities

### 22.1 Provisions for liabilities

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Provision for retirement benefits	97	112	83
Provision for legal risk	679	771	1 079
<b>Total provisions</b>	<b>776</b>	<b>883</b>	<b>1 162</b>

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 Company is a party. As at the date of preparation of these half-year condensed financial statements, the Company is not able to specify when the above liabilities will be repaid.

#### Movements in provisions in the period from 1 January 2017 to 30 June 2017 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2017	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 30.06.2017
Provision for retirement benefits	112	–	–	15	97
Provision for legal risk	771	–	–	92	679
<b>Total provisions</b>	<b>883</b>	–	–	<b>107</b>	<b>776</b>

#### Movements in provisions in the period from 1 January 2016 to 31 December 2016 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 31.12.2016
Provision for retirement benefits	83	29	–	–	112
Provision for legal risk	748	310	287	–	771
<b>Total provisions</b>	<b>831</b>	<b>339</b>	<b>287</b>	–	<b>883</b>

#### Movements in provisions in the period from 1 January 2016 to 30 June 2016 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 30.06.2016
Provision for retirement benefits	83	–	–	–	83
Provision for legal risk	748	331	–	–	1 079
<b>Total provisions</b>	<b>831</b>	<b>331</b>	–	–	<b>1 162</b>

## 22.2 Contingent liabilities

The Company is a party to a number of court proceedings associated with the Company's operations. The proceedings in which the Company acts as defendant relate mainly to employees' and customers' claims. As at 30 June 2017, the total value of claims brought against the Company, uncovered with the provisions, amounted to approx. PLN 5,69 million (as at 31 December 2016: PLN 5,61 million and as at 30 June 2016: PLN 4,68 million). Company has not created provisions for the above proceedings. In the assessment of the Company there is low probability of loss in these proceedings.

On May 9, 2014, the Company issued a guarantee in the amount of 15 thousand USD to secure an agreement concluded by a subsidiary XTB Limited, based in 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 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 2 049 thousand.

On the 30 June 2016 the Company concluded the agreement with K3 System Sp. z o.o. for lease of computer hardware which is secured with a bill of exchange with the bill declaration for the maximum amount of PLN 200 thousand.

## 23. Equity

### Share capital structure as at 30 June 2017 (unaudited), 31 December 2016 (audited) and 30 June 2016 (unaudited)

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 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 Company's knowledge, the shareholding structure of the Company as at 30 June 2017 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 163 913	3 908	66,59%
Systemax SARL	22 280 207	1 114	18,98%
Other shareholders	16 939 515	847	14,43%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

To the best Company's knowledge, the shareholding structure of the Company as at 31 December 2016 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 206 465	3 910	66,62%
Systemax SARL	22 285 876	1 114	18,99%
Other shareholders	16 891 294	845	14,39%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

On the 6 May 2016 the initial public offering was conducted, in which the key shareholder sold 16 433 709 shares in the Company. After the allotment of the offer shares was made under the offering made on the 29 April 2016, the Company received a notification from one of its shareholders, XXZW Investment Group S.A., with its registered office in Luxembourg, in accordance with Article 69 of the Polish Act on Public Offering, the Conditions Governing the Introduction of Financial

Instruments to Organised Trading, and Public Companies dated 29 July 2005, informing that following the sale of 16 433 709 A-series ordinary shares in the Company, the shareholder holds 78 446 216 shares/votes representing 66,83% share in the share capital/overall number of votes at the General Meeting of Shareholders.

The shareholding structure of the Company as at 30 June 2016 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 446 216	3 922	66,83%
Systemax SARL	22 302 960	1 115	19,00%
Other shareholders	16 634 459	832	14,17%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

## Other capitals

Other capitals consist of:

- supplementary capital, 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, 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 in the amount of PLN 247 854 thousand,
- 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 163 thousand. The detailed information on exchange differences on translation of balances in foreign currencies is presented below.

(W TYS. PLN)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	291	514	516
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	273	227	222
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	226	649	639
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	–	39	38
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	–	122	122
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	(7)	382	380
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(65)	101	100
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(555)	(161)	(353)
<b>Total exchange differences on translation of balances in foreign currencies</b>	<b>163</b>	<b>1 873</b>	<b>1 664</b>

## 24. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2016 in the amount of PLN 72 999 thousand was partially earmarked for the payment of a dividend in the amount of PLN 37 563 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2016, paid on 23 May 2017, amounted to PLN 37 563 thousand. The amount of dividend per share paid for 2016 was equal to PLN 0,32.

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2015 in the amount of PLN 115 021 thousand was partially earmarked for the payment of a dividend in the amount of PLN 91 559 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2015, paid between 30 March to 8 April 2016, amounted to PLN 91 559. The amount of dividend per share paid for 2015 was equal to PLN 0,78.

## 25. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Company uses the amount of net profit attributable to shareholders of the Company 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)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	24 486	20 141
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	341 640
Weighted average number of shares including dilution effect	117 383 635	117 725 275
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	0,21	0,17
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,21	0,17

## 26. Current income tax and deferred income tax

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

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

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

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

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

## 26.1 Income tax

### Income tax disclosed in the current period's profit or loss

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Income tax – current portion</b>		
Income tax for the reporting period	(4 146)	(4 832)
<b>Income tax – deferred portion</b>		
Occurrence / reversal of temporary differences	(1 755)	3 611
<b>Income tax disclosed in profit or loss</b>	<b>(5 901)</b>	<b>(1 221)</b>

### Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
<b>Profit before tax</b>	<b>30 387</b>	<b>21 362</b>
<b>Income tax based on the applicable tax rate of 19%</b>	<b>(5 774)</b>	<b>(4 059)</b>
Difference resulting from application of tax rates applicable in other countries	(69)	(120)
Non-taxable revenue	–	17
Non-deductible expenses	(139)	(281)
Realisation of tax losses for the preceding periods	16	24
Realisation of tax losses for the preceding periods (write-off of tax losses realised in the previous years)	–	3 348
Other items affecting the tax burden amount	65	(150)
<b>Income tax disclosed in profit or loss</b>	<b>(5 901)</b>	<b>(1 221)</b>

## 26.2 Deferred income tax

### Change in the balance of deferred tax for the period from 1 January to 30 June 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
<b>Deferred income tax assets:</b>			
Property, plant and equipment	117	(5)	112
Loans granted and other receivables	7	(7)	–
Impairment of investments in subsidiaries	–	1 847	1 847
Financial liabilities held for trading	4 113	506	4 619
Provisions for liabilities	50	(3)	47
Prepayments and deferred costs	1 074	67	1 141
Other liabilities	21	(21)	–
Tax losses of previous periods to be settled in future periods	8 926	(456)	8 470
<b>Total deferred income tax assets</b>	<b>14 308</b>	<b>1 928</b>	<b>16 236</b>

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 30.06.2017
<b>Deferred income tax provision:</b>			
Financial assets held for trading	17 143	3 701	20 844
Other liabilities	1	214	215
Prepayments	21	(21)	–
Property, plant and equipment	658	(211)	447
<b>Total deferred income tax provision</b>	<b>17 823</b>	<b>3 683</b>	<b>21 506</b>
<b>Deferred tax disclosed in profit or (loss)</b>	<b>–</b>	<b>(1 755)</b>	<b>–</b>



(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 30.06.2017
<b>Deferred tax provision included directly in the equity:</b>			
Separate equity of branches	479	(374)	105
<b>Total deferred tax provision through equity</b>	<b>479</b>	<b>(374)</b>	<b>105</b>

**Change in the balance of deferred tax for the period from 1 January to 31 December 2016 (audited)**

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.12.2016
<b>Deferred income tax assets:</b>			
Property, plant and equipment	143	(26)	117
Loans granted and other receivables	3	4	7
Financial liabilities held for trading	1 840	2 273	4 113
Provisions for liabilities	16	34	50
Prepayments and deferred costs	1 645	(571)	1 074
Other liabilities	19	2	21
Tax losses of previous periods to be settled in future periods	8 841	85	8 926
<b>Total deferred income tax assets</b>	<b>12 507</b>	<b>1 801</b>	<b>14 308</b>

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.12.2016
<b>Deferred income tax provision:</b>			
Financial assets held for trading	11 866	5 277	17 143
Other liabilities	–	1	1
Loans granted and other receivables	33	(33)	–
Prepayments	–	21	21
Property, plant and equipment	1 092	(434)	658
<b>Total deferred income tax provision</b>	<b>12 991</b>	<b>4 832</b>	<b>17 823</b>
<b>Deferred tax disclosed in profit or (loss)</b>	<b>–</b>	<b>(3 031)</b>	<b>–</b>

(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 31.12.2016
<b>Deferred tax provision included directly in the equity:</b>			
Separate equity of branches	188	291	479
<b>Total deferred tax provision through equity</b>	<b>188</b>	<b>291</b>	<b>479</b>

**Change in the balance of deferred tax for the period from 1 January to 30 June 2016 (unaudited)**

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
<b>Deferred income tax assets:</b>			
Property, plant and equipment	143	8	151
Loans granted and other receivables	3	1	4
Financial liabilities held for trading	1 840	14	1 854
Provisions for liabilities	16	57	73
Prepayments and deferred costs	1 645	(393)	1 252
Other liabilities	19	70	89
Tax losses of previous periods to be settled in future periods*	8 841	2 929	11 770
<b>Total deferred income tax assets</b>	<b>12 507</b>	<b>2 686</b>	<b>15 193</b>

\* Deferred tax asset on tax losses recognized in 2016 concerns tax reliefs for tax losses of liquidated branch offices claimed by the Company

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
<b>Deferred income tax provision:</b>			
Financial assets held for trading	11 866	(849)	11 017
Other liabilities	–	46	46
Loans granted and other receivables	33	(33)	–
Prepayments	–	150	150
Property, plant and equipment	1 092	(239)	853
<b>Total deferred income tax provision</b>	<b>12 991</b>	<b>(925)</b>	<b>12 066</b>
<b>Deferred tax disclosed in profit or (loss)</b>	<b>–</b>	<b>3 611</b>	<b>–</b>
(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 30.06.2016
<b>Deferred tax provision included directly in the equity:</b>			
Separate equity of branches	188	298	486
<b>Total deferred tax provision through equity</b>	<b>188</b>	<b>298</b>	<b>486</b>

#### Geographical division of deferred tax assets

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Deferred income tax assets</b>			
Central and Eastern Europe	86	114	135
- including Poland	–	–	–
Western Europe	8 465	8 972	9 058
- including Spain	–	–	–
Latin America and Turkey	–	–	–
<b>Total deferred income tax assets</b>	<b>8 551</b>	<b>9 086</b>	<b>9 193</b>

#### Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2017 (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	7 683	21 609	–	13 926
Czech Republic	37	–	37	–
Slovakia	51	2	49	–
Germany	2 942	–	2 942	–
France	5 523	–	5 523	–
<b>Total</b>	<b>16 236</b>	<b>21 611</b>	<b>8 551</b>	<b>13 926</b>

#### Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2016 (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	5 221	18 301	–	13 080
Czech Republic	42	–	42	–
Slovakia	72	1	71	–
Germany	3 119	–	3 119	–
France	5 854	–	5 854	–
<b>Total</b>	<b>14 308</b>	<b>18 302</b>	<b>9 086</b>	<b>13 080</b>

**Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2016 (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	5 972	12 524	–	6 552
Czech Republic	25	13	12	–
Slovakia	139	15	124	–
Germany	3 133	–	3 133	–
France	5 924	–	5 924	–
<b>Total</b>	<b>15 193</b>	<b>12 552</b>	<b>9 193</b>	<b>6 552</b>

## 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. It holds 66,59% 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 Incomes and costs

(IN PLN'000)	1.01.2017 - 30.06.2017		1.01.2016 - 30.06.2016	
	INCOMES (UNAUDITED)	COSTS (UNAUDITED)	INCOMES (UNAUDITED)	COSTS (UNAUDITED)
<b>Subsidiaries:</b>				
XTB Limited	13 498	(7 658)	7 412	(14 170)
Dub Investments	77	(644)	79	(604)
X Open Hub Sp. z o.o.	946	(123)	689	(61)
X-Trade Brokers Menkul Degerler A.S	5 083	(4 358)	8 666	(8 729)
Lirsar S.A.	–	–	10	–
XTB International	1 104	(5 226)	–	–

### 27.3 Receivables

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Subsidiaries:</b>			
XTB Limited	3 824	6 111	1 934
Dub Investments	13	24	13
X Open Hub Sp. z o.o.	532	516	647
X-Trade Brokers Menkul Degerler A.S	2 221	1 774	4 747
Lirsar S.A.	–	730	689
XTB International	744	–	–

### 27.4 Liabilities

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Subsidiaries:</b>			
XTB Limited	1 411	3 115	4 123
Dub Investments	89	–	197
X Open Hub Sp. z o.o.	11	79	28
X-Trade Brokers Menkul Degerler A.S	2 760	3 648	6 105
XTB International	3 681	–	–

## 27.5 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Benefits to the Management Board members	(2 099)	(1 596)
Benefits to the Supervisory Board members	(39)	(66)
<b>Total benefits to the Management and Supervisory Board members</b>	<b>(2 138)</b>	<b>(1 662)</b>

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 Company are included in the scheme of variable remuneration elements specified in note 21 of the half-year condensed 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 350 thousand.

Members of the Management Board of the Company, within the framework of the Options Program described in note 21 of the financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

## 27.6 Share-based payments

Pursuant to the Shareholders Agreement of the Company of 28 March 2011, the Company introduced an incentive scheme for the key employees, who received the right to shares of the Company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the program depends on individual targets set for the employees in relation to the results of the Company in specific years. The scheme covers the years 2011-2014. For 2011, rights to shares were acquired by three employees in the amount of 177 025 items, for 2012, one employee acquired rights to shares in the amount of 41 245 items, for 2013, one employee acquired rights to shares in the amount of 123 370 items and for 2014 and 2015, according to the best knowledge of the Company's Management Board, no employee will acquire rights to shares. In total, the employees acquired 341 640 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462 thousand. The vesting period expired in 2015. Depending on individual contracts, the shares can be acquired starting from 2014 based on the participation rules specified in the Options Program.

On the 23 December 2016 two employees of X-Trade Brokers Dom Maklerski S.A. acquired 256 835 Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

On the 4 January 2017 one employee of X-Trade Brokers Dom Maklerski S.A. acquired 84 805 Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

For the shares options granted, the fair value of services rendered by the key employees is measured in relation to the fair value of rights granted as at the date of granting. The fair value of rights is determined based on option estimation models, which include among others execution price, share price as at the date of granting, expected variability of option value during the programme and other appropriate factors affecting fair value. The Company assesses the probability of acquiring the rights in the programme, which affects the programme value in the costs for the period.

The following ratios were adopted in the valuation of the share option plan: volatility ratio of 54,69%, risk-free interest rate of 5,03%, weighted average share price of PLN 494,42.

No other features relating to grant of options were taken into consideration during fair value measurement.

## Unrealized rights to shares

	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Unrealized rights to shares as at the beginning of the period</b>	84 805	341 640	341 640
Granted rights to shares	–	–	–
Lost rights to shares	–	–	–
Realized rights to shares	(84 805)	(256 835)	–
Expired rights to shares	–	–	–
<b>Unrealized rights to shares as at the end of the period</b>	–	<b>84 805</b>	<b>341 640</b>

Volatility used to measure the options was calculated on the basis of the average volatility of share prices of peer companies. Volatility in the peer group of companies was calculated based on historical daily rates of return. Based on the daily rates of return, the standard deviation was calculated and annualised, on the assumption that a trading year lasts 250 days. The period for which the rates of return were accounted for complied with the options exercise period. Volatility was calculated for each option in appropriate periods. Companies which were listed for a period shorter than the option exercise period were eliminated from the peer group.

## 27.7 Loans granted to the Management and Supervisory Board

As at 30 June 2017, 31 December 2016 and 30 June 2016 there are no loans granted to the Management and Supervisory Board members.

## 28. Supplementary information and explanations to the cash flow statement

### 28.1 Change in the balance of loans granted and other receivables

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Change in loans granted and other receivables	2 162	1 807
Loans granted presented in investing activities	(732)	–
Accrued interests from loans granted	–	10
Valuation of loans granted	2	13
<b>Change in the balance of loans granted and other receivables</b>	<b>1 432</b>	<b>1 830</b>

### 28.2 Change in the balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Change in other liabilities	(1 906)	(5 172)
Payment of finance lease liabilities	77	51
<b>Change in balance of other liabilities</b>	<b>(1 829)</b>	<b>(5 121)</b>

## 28.3 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(1 710)	1 000
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	30	(42)
<b>Change in other adjustments</b>	<b>(1 680)</b>	<b>958</b>

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 Company's foreign entities and the difference between the rate applied to value amortization and depreciation cost of fixed assets and intangible assets in the Company'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 27 July 2017 the Company purchased a subsidiary Jupette Limited with its seat in Cyprus, with share capital in the amount of EUR 1 000.

## 30. Customers' financial instruments and nominal values of transactions in derivatives (off balance sheet items)

### 30.1 Nominal value of derivatives

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>CFDs</b>			
Index CFDs	1 912 190	1 832 652	860 306
Currency CFDs	1 665 559	1 753 101	734 614
Commodity CFDs	418 383	422 577	283 379
Stock CFDs	90 109	63 846	48 822
Bond CFDs	11 901	32 921	29 769
Shares	15 542	—	—
<b>Total nominal value of financial instruments</b>	<b>4 113 684</b>	<b>4 105 097</b>	<b>1 956 890</b>

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2017, transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2016: 25% of the total nominal value of instruments, as at 30 June 2016: 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)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	186	201	221
Other securities registered in customers' securities accounts	332	341	340
<b>Total customers' financial instruments</b>	<b>518</b>	<b>542</b>	<b>561</b>

## 31. Items regarding compensation scheme

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>1. Contributions made to the compensation scheme</b>			
a) opening balance	2 687	2 204	2 204
- <i>increases</i>	281	483	224
b) closing balance	2 968	2 687	2 428
<b>2. XTB's share in the profits from the compensation scheme</b>	<b>191</b>	<b>180</b>	<b>164</b>

## 32. Capital management

The Company's principles of capital management are established in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A.". The document is approved by the Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the 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 Company 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 Company to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Company'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 Company 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 Company's risk appetite. To establish its capital-related goals, the Company 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 Company's current and future capital requirements (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Company has prepared contingency plans to be launched in the event of a capital adequacy problem, described in detail in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A."

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

The 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 examination program and supervisory audit and evaluation, as well as variable components of remuneration policy in brokerage house (Journal of Laws 2017, item 856).

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

The 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 Company belongs to the best category – Tier 1.



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 Company is obliged to maintain capital buffers. In the period covered by the half-year condensed financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

#### Key values in capital management:

(IN PLN'000)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>The Company's own funds</b>	<b>284 350</b>	<b>236 394</b>	<b>231 944</b>
Tier I Capital	284 350	236 394	231 944
Common Equity Tier I capital	284 350	236 394	231 944
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
<b>Total risk exposure</b>	<b>2 611 408</b>	<b>1 395 922</b>	<b>1 567 663</b>
Capital conservation buffer	32 643	17 450	19 596
Countercyclical capital buffer	323	470	774
<b>Combined buffer requirement</b>	<b>32 965</b>	<b>17 920</b>	<b>20 370</b>

The mandatory capital adequacy was not breached in the periods covered by the half-year condensed 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 30.06.2017 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD (UNAUDITED)	AS AT 31.12.2016 (AUDITED)	AS AT 30.06.2016 (UNAUDITED)
1. Capital/Own funds	284 350	251 966	236 394	231 944
1.1. Base capital/Common Equity Tier I without deductions	324 868	301 882	289 430	289 429
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(40 518)	(49 916)	(53 036)	(57 485)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
<b>I. Level of capitals subject to monitoring/Own funds</b>	<b>284 350</b>	<b>251 966</b>	<b>236 394</b>	<b>231 944</b>
1. Market risk	143 214	125 278	48 475	61 841
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	8 352	7 911	8 210	3 595
3. Credit risk	23 656	22 982	21 304	26 284
4. Operating risk	33 690	33 699	33 690	33 693
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
<b>IIa. Overall capital requirement</b>	<b>208 912</b>	<b>189 870</b>	<b>111 679</b>	<b>125 413</b>
<b>IIb. Total risk exposure</b>	<b>2 611 408</b>	<b>2 373 379</b>	<b>1 395 992</b>	<b>1 567 663</b>
Capital conservation buffer	32 643	29 667	17 450	19 596
Countercyclical capital buffer	323	916	470	774
<b>Combined buffer requirement</b>	<b>32 965</b>	<b>30 583</b>	<b>17 920</b>	<b>20 370</b>

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

There were no changes in the risk management system in the periods covered by the half-year condensed financial statements.

The Company is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Company 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 Company has appointed a Risk Management Committee which includes members of the Supervisory Board. The Committee's key tasks include preparation of document concerning the risk appetite, providing opinions on strategies of risk management, supporting the Supervisory Board in overseeing the realisation of the risk management strategy, verification of remuneration policy and the rules of its realisation as far as the proper aligning the remuneration system to the risks to which the brokerage house is exposed, to its capital, to liquidity and the probability and the time limits of combining the income.

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 Company's internal control system.

The 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 customers and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items.

##### 33.1.2 Fair value hierarchy

The Company 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)	30.06.2017 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Financial assets held for trading	–	125 244	–	<b>125 244</b>
<b>Total assets</b>	–	<b>125 244</b>	–	<b>125 244</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	–	23 793	–	<b>23 793</b>
<b>Total liabilities</b>	–	<b>23 793</b>	–	<b>23 793</b>

(IN PLN'000)	31.12.2016 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Financial assets held for trading	–	90 224	–	<b>90 224</b>
<b>Total assets</b>	–	<b>90 224</b>	–	<b>90 224</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	–	21 647	–	<b>21 647</b>
<b>Total liabilities</b>	–	<b>21 647</b>	–	<b>21 647</b>

(IN PLN'000)	30.06.2016 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Financial assets held for trading	–	57 986	–	<b>57 986</b>
<b>Total assets</b>	–	<b>57 986</b>	–	<b>57 986</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	–	9 756	–	<b>9 756</b>
<b>Total liabilities</b>	–	<b>9 756</b>	–	<b>9 756</b>

In the periods covered by the half-year condensed 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 Company. 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 Company, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Company. Therefore, the Company does not recognise the impact of unobservable input data used for the estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions as level 3 of the fair value hierarchy

## 33.2 Market risk

There were no changes in the market risk management system in the periods covered by the half-year condensed financial statements.

In the period covered by these half-year condensed financial statements, the Company entered into OTC contracts for differences (CFDs) and digital options. The Company 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 Company'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:

The Management Board defines in the investment strategy short-, medium-, and long-term investment objectives, rules of establishment and methods of management of an investment portfolio, amount of funds to be invested, as well as the rules and mechanisms for hedging against excesses of the permitted exposure concentration limits and large exposures. The resolution is approved by the Supervisory Board. As part of the internal procedures, the Company applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, maximum value of a single instruction. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews the limit usage on a regular basis, and controls the hedges entered into.

### **33.2.1 Currency risk**

The Company enters into transactions principally in instruments bearing currency risk. Aside from transactions where the FX rate is an underlying instrument, the Company also offers instruments denominated in foreign currencies. Also, the Company 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 Company'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 June 2017 (unaudited)**

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	TRY	OTHER CURRENCIES		
Assets										
Own cash and cash equivalents	38 144	95 730	1 893	14 494	3 747	4 009	2 264	2	160 283	189 820
Customers' cash and cash equivalents	17 320	209 403	29	47 790	3 400	5 801	2	–	283 745	413 933
Financial assets held for trading	7 850	60 278	456	10 704	1 219	1 641	676	344	83 168	125 244
Investments in subsidiaries	–	–	–	–	–	–	–	–	–	59 205
Income tax receivables	–	36	–	1 020	–	–	–	–	1 056	1 055
Loans granted and other receivables	3 296	2 654	982	88	323	84	1 586	412	9 425	9 874
Prepayments and deferred costs	–	123	–	114	–	11	–	–	248	4 921
Intangible assets	–	21	–	24	–	–	–	–	45	3 275
Property, plant and equipment	–	577	–	301	–	47	–	–	925	3 043
Deferred income tax assets	–	8 515	–	36	–	–	–	–	8 551	8 551
Total assets	66 610	377 337	3 360	74 571	8 689	11 593	4 528	758	547 446	818 921
Liabilities										
Amounts due to customers	11 447	208 467	2	47 930	3 212	5 845	1 427	95	278 425	409 102
Financial liabilities held for trading	1 057	12 346	42	2 296	69	441	11	108	16 370	23 793
Income tax liabilities	–	104	–	–	–	–	–	–	104	3 304
Other liabilities	805	5 886	1 254	950	–	223	728	–	9 846	18 532
Provisions for liabilities	–	93	–	–	–	440	–	–	533	776
Deferred income tax provision	–	–	–	–	–	–	–	–	–	13 926
Total liabilities	13 309	226 896	1 298	51 176	3 281	6 949	2 166	203	305 278	469 433

**Assets and liabilities denominated in foreign currencies as at 31 December 2016 (audited)**

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	TRY	OTHER CURRENCIES		
Assets										
Own cash and cash equivalents	49 521	120 700	1 081	26 264	4 453	3 838	5 456	(1)	211 312	233 942
Customers' cash and cash equivalents	16 497	176 190	42	36 312	3 166	5 072	12	–	237 291	352 830
Financial assets held for trading	5 979	36 060	34	8 125	1 760	2 243	1 882	98	56 181	90 224
Investments in subsidiaries	–	–	–	–	–	–	–	–	–	66 095
Income tax receivables	–	14	–	1 001	–	–	–	–	1 015	1 016
Loans granted and other receivables	4 036	3 378	1 704	165	443	70	1 400	489	11 685	12 036
Prepayments and deferred costs	–	146	–	140	–	7	–	–	293	2 891
Intangible assets	–	32	–	39	–	–	–	–	71	4 136
Property, plant and equipment	–	504	–	364	–	24	–	–	892	3 115
Deferred income tax assets	–	9 044	–	42	–	–	–	–	9 086	9 086
Total assets	76 033	346 068	2 861	72 452	9 822	11 254	8 750	586	527 826	775 371
Liabilities										
Amounts due to customers	13 184	176 651	680	36 092	3 174	4 941	1 216	94	236 032	350 821
Financial liabilities held for trading	1 617	9 792	19	1 025	162	1 008	330	47	14 000	21 647
Income tax liabilities	–	296	–	–	–	–	–	–	296	4 227
Other liabilities	442	7 054	1 611	1 429	–	344	1 671	–	12 531	20 438
Provisions for liabilities	–	155	–	–	–	462	–	–	617	883
Deferred income tax provision	–	–	–	–	–	–	–	–	–	13 080
Total liabilities	15 223	193 948	2 310	38 546	3 336	6 755	3 217	141	263 476	411 096

**Assets and liabilities denominated in foreign currencies as at 30 June 2016 (unaudited)**

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	TRY	OTHER CURRENCIES		
Assets										
Own cash and cash equivalents	47 989	94 882	1 960	24 138	4 052	3 581	7 648	–	184 250	193 995
Customers’ cash and cash equivalents	11 890	155 285	12	31 026	3 727	4 549	249	–	206 738	295 814
Financial assets held for trading	2 792	25 050	109	4 135	1 134	975	1 523	20	35 738	57 986
Investments in subsidiaries	–	–	–	–	–	–	–	–	–	66 095
Income tax receivables	–	30	–	2 554	–	–	–	–	2 584	8 215
Loans granted and other receivables	3 513	3 614	395	162	–	77	3 690	263	11 714	12 123
Prepayments and deferred costs	–	187	–	143	–	3	–	–	333	3 453
Intangible assets	–	43	–	35	–	2	–	–	80	5 387
Property, plant and equipment	–	617	–	440	–	24	–	–	1 081	3 122
Deferred income tax assets	–	9 182	–	11	–	–	–	–	9 193	9 193
Total assets	66 184	288 890	2 476	62 644	8 913	9 211	13 110	283	451 711	655 383
Liabilities										
Amounts due to customers	13 500	156 025	8	31 327	3 899	4 621	3 931	–	213 311	303 546
Financial liabilities held for trading	497	3 892	16	547	105	628	65	10	5 760	9 756
Income tax liabilities	–	299	–	–	–	–	–	–	299	2 317
Other liabilities	293	6 694	1 969	1 590	–	273	1 164	–	11 983	20 842
Provisions for liabilities	–	–	–	–	–	778	–	–	778	1 162
Deferred income tax provision	–	–	–	–	–	–	–	–	–	6 552
Total liabilities	14 290	166 910	1 993	33 464	4 004	6 300	5 160	10	232 131	344 175

A change in exchange rates, in particular, the PLN exchange rate, affects the balance sheet valuation of the Company'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  $\pm 5\%$  to PLN. The carrying amount of financial instruments was revalued.

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2017 (UNAUDITED)	30.06.2016 (UNAUDITED)	30.06.2016 (UNAUDITED)	30.06.2016 (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	7 650	(7 650)	7 902	(7 902)
Equity, of which:	892	(892)	1 413	(1 413)
Foreign exchange differences on translation	892	(892)	1 413	(1 413)

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

### 33.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Company to the adverse impact of exchange rate fluctuations. Such risk may result from the contracts entered into by the Company, 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 Company is the mismatch of interest rates: paid to customers in connection with funds deposited in cash accounts in the Company, and of the bank account and bank deposits where the Company's customers' funds are invested.

In addition, the source of the Company'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 Company's financial position, since the Company 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 Company 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 Company 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. The interest rate risk is estimated as not significant for the Company'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)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Financial assets</b>			
Cash and cash equivalents	603 753	586 772	489 809
<b>Total financial assets</b>	<b>603 753</b>	<b>586 772</b>	<b>489 809</b>
<b>Financial liabilities</b>			
Amounts due to customers	116 973	95 994	100 099
Other liabilities	182	258	345
<b>Total financial liabilities</b>	<b>117 155</b>	<b>96 252</b>	<b>100 444</b>

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 June 2017 and from 1 January to 30 June 2016, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2017 (UNAUDITED)		30.06.2016 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit (loss) before tax	2 862	(2 862)	2 716	(2 716)

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

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

### 33.2.3 Other price risk

Other price risk is exposure of the Company's financial position to unfavorable 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)	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Financial assets held for trading</b>			
<b>Commodity CFDs</b>			
Precious metals	3 466	5 152	2 573
Base metals	228	198	157
Other	8 451	7 546	5 589
<b>Total commodity CFDs</b>	<b>12 145</b>	<b>12 896</b>	<b>8 319</b>
<b>Equity instruments</b>			
Stocks	18 903	2 342	2 161
Indices	65 154	54 458	36 020
<b>Total equity instruments</b>	<b>84 057</b>	<b>56 800</b>	<b>38 181</b>
<b>Debt instruments</b>	<b>48</b>	<b>364</b>	<b>664</b>
<b>Total financial assets held for trading</b>	<b>96 250</b>	<b>70 060</b>	<b>47 164</b>
<b>Financial liabilities held for trading</b>			
<b>Commodity CFDs</b>			
Precious metals	104	955	1 430
Base metals	81	57	71
Other	2 995	2 473	1 058
<b>Total commodity CFDs</b>	<b>3 180</b>	<b>3 485</b>	<b>2 559</b>
<b>Equity instruments</b>			
Stocks	1 769	1 346	716
Indices	12 756	13 367	4 459
<b>Total equity instruments</b>	<b>14 525</b>	<b>14 713</b>	<b>5 175</b>
<b>Debt instruments</b>	<b>55</b>	<b>43</b>	<b>23</b>
<b>Total financial liabilities held for trading</b>	<b>17 760</b>	<b>18 241</b>	<b>7 757</b>

The Company's sensitivity to fluctuations in the prices of specific commodities and equity investments by  $\pm 5\%$  with regard to equity and profit before tax is presented below.



(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2017 (UNAUDITED)		30.06.2016 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
<b>Income (expenses) of the period</b>				
<b>Commodity CFDs</b>				
Precious metals	(5 385)	5 385	1 889	(1 889)
Base metals	(167)	167	(119)	119
Other	(6 040)	6 040	(176)	176
<b>Total commodity CFDs</b>	<b>(11 592)</b>	<b>11 592</b>	<b>1 594</b>	<b>(1 594)</b>
<b>Equity instruments</b>				
Stocks	35	(35)	10	(10)
Indicies	1 278	(1 278)	6 814	(6 814)
<b>Total equity instruments</b>	<b>1 313</b>	<b>(1 313)</b>	<b>6 824</b>	<b>(6 824)</b>
<b>Debt instruments</b>	<b>293</b>	<b>(293)</b>	<b>1 316</b>	<b>(1 316)</b>
<b>Total income (expenses) for the period</b>	<b>(9 986)</b>	<b>9 986</b>	<b>9 734</b>	<b>(9 734)</b>

### 33.3 Liquidity risk

For the Company, 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 Company 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 Company uses the liquidity model described in the procedure for the management of own cash and cash equivalents. The essence of the model 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 Company 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 Company 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 Company's Trading Department. Trading Department employees are required to analyse liquidity at least once a week, as well as to transfer the relevant information to the Company's Accounting Department in order to make certain operations in the accounts.

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 Company's Management. Information on deviations is transmitted to the Risk Control Department of the Company.

The 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 Company monitor the balance of funds deposited in the account in the context of planned liquidity needs related to the 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.

Supervision and control operations concerning the balance of cash accounts are also performed by the Risk Control Department of Company on a daily basis.

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 June 2017 (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
<b>Financial assets</b>							
Cash and cash equivalents	603 753	603 753	603 753	–	–	–	–
Financial assets held for trading							
CFDs	125 244	125 244	125 244	–	–	–	–
Total financial assets held for trading	125 244	125 244	125 244	–	–	–	–
Investments in subsidiaries	59 205	59 205	–	–	–	–	59 205
Loans granted and other receivables	9 874	9 874	8 238	–	1 636	–	–
<b>Total financial assets</b>	<b>798 076</b>	<b>798 076</b>	<b>737 235</b>	–	<b>1 636</b>	–	<b>59 205</b>
<b>Financial liabilities</b>							
Amounts due to customers	409 102	409 102	409 102	–	–	–	–
Financial liabilities held for trading							
CFDs	23 793	23 793	23 793	–	–	–	–
Total financial liabilities held for trading	23 793	23 793	23 793	–	–	–	–
Other liabilities	18 532	18 532	10 683	5 867	78	–	1 904
<b>Total financial liabilities</b>	<b>451 427</b>	<b>451 427</b>	<b>443 578</b>	<b>5 867</b>	<b>78</b>	–	<b>1 904</b>
Contractual liquidity gap in maturities (payment dates)			293 657	(5 867)	1 558	–	57 301
Contractual cumulative liquidity gap			293 657	287 790	289 348	289 348	346 649

**Contractual payment periods of financial assets and liabilities as at 31 December 2016 (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
<b>Financial assets</b>							
Cash and cash equivalents	586 772	586 772	586 772	–	–	–	–
Financial assets held for trading							
CFDs	90 224	90 224	90 224	–	–	–	–
Total financial assets held for trading	90 224	90 224	90 224	–	–	–	–
Investments in subsidiaries	66 095	66 095	–	–	–	–	66 095
Loans granted and other receivables	12 036	12 036	10 890	50	932	164	–
<b>Total financial assets</b>	<b>755 127</b>	<b>755 127</b>	<b>687 886</b>	<b>50</b>	<b>932</b>	<b>164</b>	<b>66 095</b>
<b>Financial liabilities</b>							
Amounts due to customers	350 821	350 821	350 821	–	–	–	–
Financial liabilities held for trading							
CFDs	21 647	21 647	21 647	–	–	–	–
Total financial liabilities held for trading	21 647	21 647	21 647	–	–	–	–
Other liabilities	20 438	20 438	13 160	7 129	149	–	–
<b>Total financial liabilities</b>	<b>392 906</b>	<b>392 906</b>	<b>385 628</b>	<b>7 129</b>	<b>149</b>	<b>–</b>	<b>–</b>
Contractual liquidity gap in maturities (payment dates)			302 258	(7 079)	783	164	66 095
Contractual cumulative liquidity gap			302 258	295 179	295 962	296 126	362 221

**Contractual payment periods of financial assets and liabilities as at 30 June 2016 (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
<b>Financial assets</b>							
Cash and cash equivalents	489 809	489 809	489 809	–	–	–	–
Financial assets held for trading							
CFDs	57 986	57 986	57 986	–	–	–	–
Total financial assets held for trading	57 986	57 986	57 986	–	–	–	–
Investments in subsidiaries	66 095	66 095	–	–	–	–	66 095
Loans granted and other receivables	12 123	12 123	11 120	42	797	164	–
<b>Total financial assets</b>	<b>626 013</b>	<b>626 013</b>	<b>558 915</b>	<b>42</b>	<b>797</b>	<b>164</b>	<b>66 095</b>
<b>Financial liabilities</b>							
Amounts due to customers	303 546	303 546	303 546	–	–	–	–
Financial liabilities held for trading							
CFDs	9 756	9 756	9 756	–	–	–	–
Total financial liabilities held for trading	9 756	9 756	9 756	–	–	–	–
Other liabilities	20 842	20 842	13 095	7 558	189	–	–
<b>Total financial liabilities</b>	<b>334 144</b>	<b>334 144</b>	<b>326 397</b>	<b>7 558</b>	<b>189</b>	<b>–</b>	<b>–</b>
Contractual liquidity gap in maturities (payment dates)			232 518	(7 516)	608	164	66 095
Contractual cumulative liquidity gap			232 518	225 002	225 610	225 774	291 869

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

### 33.4 Credit risk

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

(IN PLN'000)	30.06.2017 (UNAUDITED)		31.12.2016 (AUDITED)		30.06.2016 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
<b>Financial assets</b>						
Cash and cash equivalents	603 753	603 753	586 772	586 772	489 809	489 809
Financial assets held for trading *	125 244	10 619	90 224	11 347	57 986	3 004
Financial assets available for sale	59 205	59 205	66 095	66 095	66 095	66 095
Loans granted and other receivables	9 874	9 874	12 036	12 036	12 123	12 123
<b>Total financial assets</b>	<b>798 076</b>	<b>683 451</b>	<b>755 127</b>	<b>676 250</b>	<b>626 013</b>	<b>571 031</b>

\* As at 30 June 2017, the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 109 702 thousand (as at 31 December 2016: PLN 90 224 thousand, as at 30 June 2016: PLN 57 986 thousand). This exposure was collateralised with customers' cash, which, as at 30 June 2017, covered the amount of PLN 99 083 thousand (as at 31 December 2016: PLN 78 877 thousand, as at 30 June 2016: PLN 54 982 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralized.

The credit quality of the Company'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 Company's assets fall within the following credit rating brackets:

- Fitch Ratings - from F1 to F2
- Standard & Poor's Ratings Services - from A-1 to B
- Moody's – from P-1 to P3

#### 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 30 June 2017, the Company had deposit accounts in 23 banks and institutions (as at 31 December 2016: in 23 banks and institutions, as at 30 June 2016: in 26 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period):

30.06.2017 (UNAUDITED)		31.12.2016 (AUDITED)		30.06.2016 (UNAUDITED)	
ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)
Bank 1	131 441	Bank 1	120 491	Bank 1	93 519
Bank 2	115 749	Bank 2	98 762	Bank 2	69 068
Bank 3	92 835	Bank 3	87 823	Bank 3	67 491
Bank 4	69 881	Bank 4	76 076	Bank 4	60 614
Bank 5	41 043	Bank 5	32 713	Bank 5	32 311
Bank 6	29 651	Bank 6	29 421	Bank 6	29 671
Bank 7	29 099	Bank 7	29 222	Bank 7	25 017
Bank 8	26 955	Bank 8	28 474	Bank 8	21 750
Bank 9	15 606	Bank 9	14 631	Bank 9	21 450
Bank 10	14 425	Bank 10	14 402	Bank 10	12 431
Other	37 068	Other	54 757	Other	56 487
<b>Total</b>	<b>603 753</b>	<b>Total</b>	<b>586 772</b>	<b>Total</b>	<b>489 809</b>

The table below presents a short-term assessment of the credit quality of the Company'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)		
	30.06.2017 (UNAUDITED)	31.12.2016 (AUDITED)	30.06.2016 (UNAUDITED)
<b>Cash and cash equivalents</b>			
Step 1	539 261	541 567	201 079
Step 2	1 215	1 782	263 893
Step 3	63 277	43 423	24 837
<b>Total</b>	<b>603 753</b>	<b>586 772</b>	<b>489 809</b>

### Financial assets held for trading

Financial assets held for trading result from transactions in financial instruments entered into with the Company's customers and the related hedging transactions.

Credit risk involving financial assets held for trading is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Company'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 Company 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 held for trading is high and does not show significant diversity.

The Company'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):

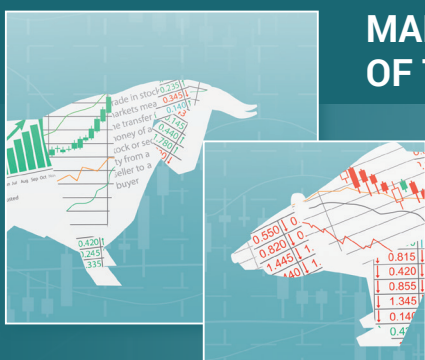
30.06.2017 (UNAUDITED)		31.12.2016 (AUDITED)		30.06.2016 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	2 138	Entity 1	1 988	Entity 1	315
Entity 2	1 136	Entity 2	892	Entity 2	288
Entity 3	872	Entity 3	840	Entity 3	260
Entity 4	409	Entity 4	838	Entity 4	232
Entity 5	362	Entity 5	669	Entity 5	161
Entity 6	349	Entity 6	429	Entity 6	158
Entity 7	316	Entity 7	390	Entity 7	108
Entity 8	298	Entity 8	384	Entity 8	102
Entity 9	282	Entity 9	299	Entity 9	87
Entity 10	257	Entity 10	159	Entity 10	86
<b>Total</b>	<b>6 419</b>	<b>Total</b>	<b>6 888</b>	<b>Total</b>	<b>1 797</b>

### Financial assets held to maturity

As at 30 June 2017, 31 December 2016 and 30 June 2016 there were no financial assets held to maturity.

### Other receivables

Other receivables do not show a significant concentration, and they arose in the normal course of the Company'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 Company.



## MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

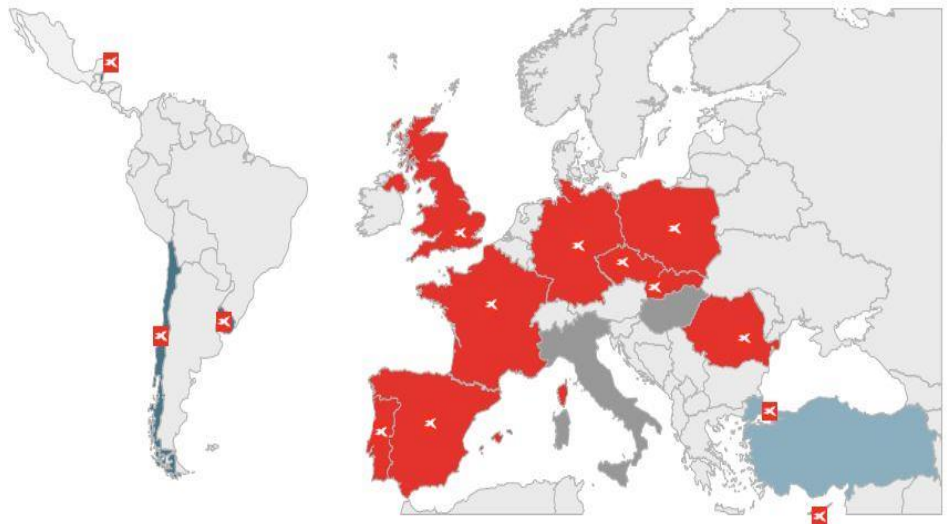
## 1. Basic information

### General information

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 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 conducts its operations through two business segments: retail operations 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, Turkey, Cyprus, Belize and Uruguay. 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 Markets Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. As a result of the completion on May 18, 2017 of a detailed analysis of the impact of regulatory changes in the field of investment services, investment activities and ancillary services for XTB activities in the Turkish market, the Management Board of the parent company decided to withdraw the XTB from its activities. As a result, the necessary measures have been taken to shut down and liquidate a subsidiary operating on the Turkish market, X Trade Brokers Menkul Değerler A.Ş.

In the first half of 2017, the Group focused on developing its business in Latin America. A subsidiary in Chile was established and a company in Belize was acquired.

The Group has also consistently expanded its product range. In the first half of 2017, XTB expanded its CFD equity and synthetic stock offerings with new equity products listed on Scandinavian markets (Denmark, Finland, Norway, Sweden). Customers have been given the opportunity to place orders outside of trading hours on equity instruments in the US and Spanish markets.



A new type of account was also launched in the French branch with Limited Liability LRA (Limited Liability Account). This action was a response to the new regulations of the French supervisor requiring an offer to protect the interests of the retail client and protect him against a negative balance on the transaction. Another important project was the introduction of a completely new methodology for collecting margin deposits, based on the total exposure of the client portfolio.

By the end of June 2017, XTB's offer expanded with CFD instruments based on cryptanalyst quotes and cash indexes, with the potential to trade almost 24 hours a day.

In the first half of 2017, total operating income, EBITDA and net profit amounted to PLN 125.2 million, PLN 55.7 million and PLN 29.4 million, respectively. In the corresponding period of 2016, total operating income, EBITDA and net profit amounted to PLN 113.8 million, PLN 21.4 million and PLN 23.0 million, respectively.

These semi-annual condensed financial statements for the first half of 2017 (separate and consolidated) have been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" as endorsed by the European Union. Other standards, amendments to existing standards and interpretations of the International Financial Reporting Interpretations Committee recently adopted or awaiting adoption have no bearing on the Group's business or its impact would not be material. Detailed description of the rules for drawing up the above- The financial statements are presented in item 3 of the Semi-Annual Condensed Consolidated Financial Statements as well as in the separate financial statements.

## Products and services

The Group is an international provider of financial instrument trading products, services and solutions that specialize in the OTC market and in particular in CFD derivative instruments, which are investment products that reimbursement is dependent on changes in price and value of instruments and underlying assets.

Both retail and institutional customers offer two major trading platforms:

- (i) xStation,
- (ii) MetaTrader 4 (MT4),

which are backed by advanced technological infrastructure developed by the Group. The Group's retail customers receive access to one of the aforementioned front-end transaction platforms and a number of its components, as well as back-office systems. Institutional customers receive full access to the settings and management functions, branding and risk management tools.

The Group also offers its customers various transaction options, depending on the level of customer experience (from beginner to expert) and access methods (from smartphone through network interfaces to computer). These applications include tools for retail clients investing in CFD derivatives based on a variety of financial instruments, including graphs, analyzes, surveys, and online trading opportunities.

The functionality of the Group's online offering allows customers to open accounts, pay on them, submit and transferring orders and money and ordering extracts over the internet. The Group's core technology uses software designed to provide functionality and scalability.

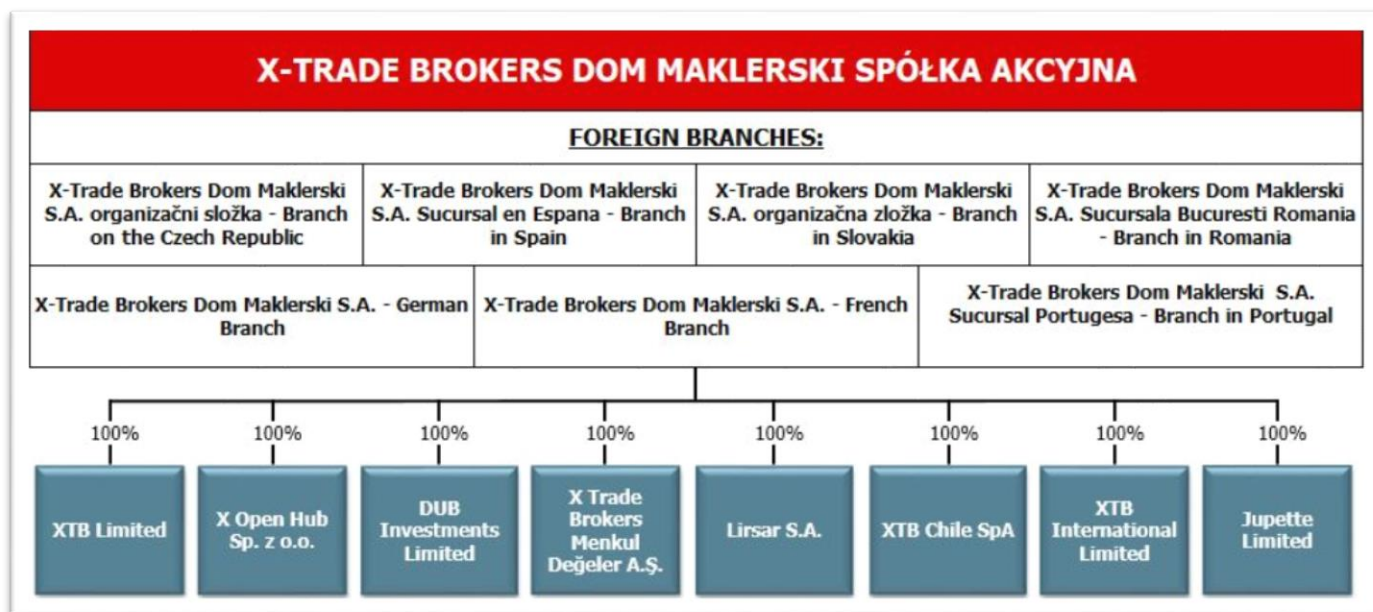
At the end of the first half of the year, the Group had more than 1,500 CFD derivatives with leverage, including about 50 currency pairs, around 20 commodities and about 25 index-based, approximately 1,400 shares based on shares Listed on stock exchanges in 12 countries and around 60 based on US and European ETFs. In addition, in April 2016, the Group expanded its portfolio of CFD derivative instruments without leverage based on shares in international stock exchanges (synthetic stock). Taking into account synthetic stocks, at the end of the first half of the year the Group increased the total number of offered financial instruments to over 3,000.

The Group also offers its customers access to the xSocial social transaction platform, fully integrated with the xStation platform. This platform allows customers to select investors and imitate their transactions or to outsource transactions (the user can choose an investor who has disclosed his / her transactions and applied risk management methods and hedging strategies). Institutional customers can in turn use the xRisk platform, which is a complete risk management system.

## 2. Description of the Group's organization

As of the date of submission of this report, the Group constituted the Parent Company and 8 subsidiaries of the Company. The Company owns 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: (i) arranging (bringing about) investment deals for clients; (ii) dealing in investments as an agent; and (iii) 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.

#### DUB Investments Limited, Cyprus

DUB Investments Limited business comprises: (i) accepting and forwarding orders relating to one or more financial instruments; and (ii) managing share packages.

On 12 July 2016 Cypriot Securities and Exchange Commission "CySEC" approved to expand the brokerage licence of the company by the following investment services: (i) execution of orders on behalf of clients, (ii) dealing on own account and following ancillary services (i) safekeeping and administration of financial instruments on behalf of clients, including custodianship and related services such as cash/collateral management, (ii) granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction, and (iii) foreign exchange

services where these are connected to the provision of investment services. Expanding of the brokerage license includes all financial instruments listed in Section C of the Annex 1 of MiFiD Directive.

#### X Trade Brokers Menkul Değerler A.Ş., Turkey

X Trade Brokers Menkul Değerler A.Ş. Conducts business including: (i) investment advice, (ii) trading derivatives, (iii) leveraged trading on the forex market, and (iv) brokerage. On May 18, 2017, the Management Board of the Parent Undertaking decided to withdraw the Group from its activities in Turkey by taking action to liquidate its activities on the market and liquidating its subsidiary X Trade Brokers Menkul Değerler A.Ş. This decision is due to limitations imposed by the Turkish regulator, which has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity in Turkey. As a result of the decision, the Group recognized impairment allowance for brokerage fees in the Turkish market of PLN 5.6 million.

#### Lirsar S.A., Uruguay

Lirsar S.A. business comprises conducting operations within the scope of investment consulting.

#### XTB Chile SpA, Chile

On 17 February 2017 the Parent Entity established a subsidiary XTB Chile SpA. The Company owns 100% shares in subsidiary. XTB Chile SpA will conduct services consisting in acquiring new customers from the territory of Chile.

#### XTB International Limited, Belize

On 23 February 2017 the Parent Entity purchased 100% of shares in CFDs Prime located in Belize. On 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. CFDs Prime provides brokerage services based on obtained permission issued by International Financial Services Commission.

#### Jupette Limited, Cypr

On 27 July 2017, the Parent Entity acquired 100% of shares in Jupette Limited with its registered office in Cyprus. The Company provides marketing, marketing and sales services.

In the reporting period, i.e. from 1 January 2017 to 30 June 2017 and as at the submission date of this report there were no changes in the X-Trade Brokers Dom Maklerski S.A. Group's structure other than described above.

### 3. Company's authorities

#### Management Board

As at 30 June 2017 and as at the date of submission of this interim 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*	29.06.2019
Paweł Frańczak	Board Member	31.08.2012	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019

\* Omar Arnaout on January 10, 2017 was appointed as a member of the Board of Directors for the position of Vice President of the Management Board. On March 23, 2017, he was appointed President of the Management Board

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

- on 10 January, 2017 Mr Jakub Mały was dismissed from the position of the President of the Management Board,
- on 10 January 2017 a resolution was adopted that the Management Board of the Company will consist of five persons, including the President of the Management Board, the Vice-President of the Management Board and three members of

the Company's Management Board. At the same time, on the same day, the Management Board of the Company was appointed:

- Mr. Omar Arnaout, taking up the position of the Member of the Management Board responsible for Sales in the position of the Vice President of the Management Board and,
- Mr. Filip Kaczmarzyk, who assumed the position of Member of the Management Board responsible for Trading,
- On January 10, 2017 Mr. Jakub Zabłocki (Board Member from 10 January 2017) was delegated to perform the activities of the Chairman of the Management Board for the period from 10 January 2017 to 10 April 2017,
- on March 23, 2017, Mr. Jakub Zabłocki was recalled from the function of the President of the Management Board. At the same time, Mr. Omar Arnaout was appointed the Chairman of the Management Board on the same day.

In the reporting period and until the date of publication of this periodic report there were no changes in the composition of the Management Board other than described above.

### Supervisory Board

As at 30 June 2017 and as at the date of submission of this interim report, the composition of the Supervisory Board was as follows:

NAME AND SURNAME	FUNCTION	START DATE OF THE CURRENT TERM	EXPIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	Chairman of the Supervisory Board	30.05.2017	09.11.2018
Łukasz Baszczyński	Board Member	09.11.2015	09.11.2018
Jarosław Jasik	Board Member	09.11.2015	09.11.2018
Michał Kędzia	Board Member	09.11.2015	09.11.2018
Bartosz Zabłocki	Board Member	09.11.2015	09.11.2018

In the reporting period the following changes in the composition of the Supervisory Board occurred:

- on January 10, 2017, Mr. Jakub Leonkiewicz resigned from the Supervisory Board of the Company and held the position of Chairman in order to enable Mr. Jakub Zabłocki to assume the post of Chairman of the Supervisory Board, who on the same day acting on the basis of the powers resulting from the Company's Articles of Association, Person to be a Member of the Supervisory Board of the Company acting as its Chairman,
- on May 30, 2017, Mr. Jakub Zabłocki resigned from the position of the Chairman of the Supervisory Board of the Company, while at the same time appointing Mr. Jakub Leonkiewicz.

During the reporting period and until the date of publication of this periodic report there was no change in the composition of the Supervisory Board other than described above.

## 4. Financial and operating situation

The Group's strategy is to actively strengthen its position as an international provider of technologically advanced products, services and solutions for trading financial instruments in the EU and Latin American countries by enhancing brand recognition, acquiring new customers for its trading platforms and building long-term investment profile and loyalty. The Group's strategic plan is to support growth through expansion into new markets, further penetration of existing markets, expansion of the Group's product and service offerings, and the development of an institutional business segment (X Open Hub).

The Management believes that the Group has built up a solid foundation for its good standing to generate profitable growth in the future.

The Group's operating and financial results are primarily influenced by: (i) number of active accounts, transaction volume and amount of deposits; (ii) volatility in financial and commodity markets; (iii) general market conditions, geopolitical and economic; (iv) competition in the FX / CFD market; And (v) regulatory environment.

Below are the key factors affecting the Group's financial and operating results for the six months ended June 30, 2017. In the opinion of the Management Board, these factors have and may have an impact on operations and operating and financial results in the future, financial position and development prospects of the Group.

## Discussion of the Group's results for the I half of 2017

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED		CHANGE
	30.06.2017	30.06.2016	(%)
Result of operations on financial instruments	122 960	111 094	10,7
Income from fees and commissions	2 247	2 698	(16,7)
Other income	37	23	60,9
<b>Total operating income</b>	<b>125 244</b>	<b>113 815</b>	<b>10,0</b>
Salaries and employee benefits	(36 267)	(38 534)	(5,9)
Marketing	(13 720)	(32 300)	(57,5)
Other external services	(10 125)	(10 816)	(6,4)
Costs of maintenance and lease of buildings	(3 763)	(4 481)	(16,0)
Amortization and depreciation	(3 021)	(2 777)	8,8
Taxes and fees	(1 346)	(890)	51,2
Commission expense	(2 621)	(2 311)	13,4
Other expenses	(1 675)	(3 085)	(45,7)
<b>Total operating expenses</b>	<b>(72 538)</b>	<b>(95 194)</b>	<b>(23,8)</b>
<b>Operating profit</b>	<b>52 706</b>	<b>18 621</b>	<b>183,0</b>
<b>Impairment write-down of intangible assets</b>	<b>(5 612)</b>	<b>-</b>	<b>-</b>
Finance income	2 421	9 673	(75,0)
Finance costs	(12 716)	(3 326)	282,3
<b>Profit before tax</b>	<b>36 799</b>	<b>24 968</b>	<b>47,4</b>
Income tax	(7 441)	(1 921)	287,4
<b>Net profit</b>	<b>29 358</b>	<b>23 047</b>	<b>27,4</b>

In the I half of 2017 consolidated operating profit (EBIT) increased by PLN 34.1 million to PLN 52.7 million (increase of 183.0%), compared to PLN 18.6 million in the corresponding period of the previous year. Net profit was PLN 29.4 million vs. PLN 23.0 million a year earlier. That's an increase by 27.4%.

The net result for the I half of 2017 was shaped mainly by:

- 183.0% increase in operating result (EBIT) due to:
  - 10.0% increase in operating income resulting from higher profitability per lot;
  - significant improvement in cost effectiveness with decreasing operating costs by PLN 22.7 million;
- factors not related to core operational activities, i.e.:
  - creation of a revaluation write-off of the value of a separate intangible asset in the form of a brokerage license in the Turkish market of PLN 5.6 million;
  - negative exchange differences (financial expenses) of PLN 12.2 million (H1 2016: PLN 2.9 million) resulting from zloty appreciation against other currencies.

## Operating income

The Group's revenues come mainly from retail activities and include revenues: (i) from spreads (the difference between the *offer* price and the *bid* price); (ii) net profit (loss less losses) on the Group's *market making* activities; (iii) commissions and fees charged to customers by the Group, and (iv) swap points accrued by the Group (the amounts resulting from the difference between the theoretical *forward* and the *spot* rate of the financial instrument).

In the I half of 2017, the retail segment generated about 90% of the total volume of the Group's turnover (calculated in lots), while the institutional segment accounted for about 10%.

The table below presents information on the Group's operating revenues for the periods stated.

	SIX-MONTH PERIOD ENDED			
	30.06.2017		30.06.2016	
	PLN'000	(%)	PLN'000	(%)
Result of operations on financial instruments	122 960	98,2	111 094	97,6
Income from fees and commissions	2 247	1,8	2 698	2,4
Other income	37	0,0	23	0,0
<b>Total operating income</b>	<b>125 244</b>	<b>100,0</b>	<b>113 815</b>	<b>100,0</b>

Revenues from operating activities increased in the I half of this year by 10.0% y/y from PLN 113.8 million to PLN 125.2 million. From the structural side they have been shaped by an increase in profitability per lot with a comparable volume of turnover calculated in lots.

	THREE-MONTH PERIOD ENDED					
	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Total operating income (in PLN'000)	66 526	58 718	93 959	42 802	31 050	82 765
Obrót instrumentami pochodnymi CFD w lotach <sup>1</sup>	513 814	540 082	488 660	468 686	525 108	533 201
Profitability per lot (in PLN) <sup>2</sup>	129	109	192	91	59	155

<sup>1</sup>) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

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

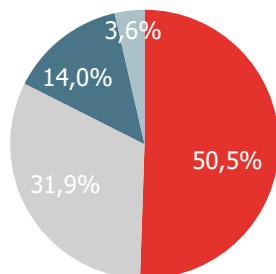
The Group's largest operating income is the result of operations on financial instruments which accounted for 98.2% and 97.6% of total operating income respectively in the I half of 2017 and 2016 respectively. The largest share in the result from financial instrument operations has three classes of products: CFD derivatives for indices, currencies and commodities, which generated in the I half of 2017 respectively 50.5%, 31.9% and 14.0% ( in the I half of 2016: 55.2%, 24.4% and 16.9%, respectively). Looking at the structure in greater detail, it can be seen that the increase in revenues is primarily attributable to CFDs on currencies. Other commodities, such as equity derivative CFDs, bonds, option derivatives, equity and derivative instruments in the analyzed periods accounted for 3.6% and 3.5%, respectively, of the result on gross financial instrument operations.

#### Result of operations on financial instruments

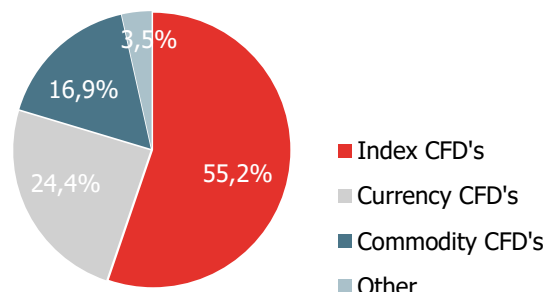
(IN PLN'000)	SIX-MONTH PERIOD ENDED		CHANGE (%)
	30.06.2017	30.06.2016	
<b>CFDs</b>			
Index CFD's	64 525	63 668	1,3
Currency CFD's	40 742	28 143	44,8
Commodity CFD's	17 844	19 438	(8,2)
Stock CFD's	1 953	555	251,9
Bond CFD's	(257)	1 238	(120,8)
Total CFD's	124 807	113 042	10,4
Options	3 743	2 238	67,2
Stocks and exchange derivatives	(856)	-	-
<b>Gross gain on transactions in financial instruments</b>	<b>127 694</b>	<b>115 280</b>	<b>10,8</b>
Bonuses and discounts paid to costumers	(1 775)	(2 100)	(15,5)
Commission paid to cooperating brokers	(2 959)	(2 086)	41,9
<b>Net gain on transaction in financial instruments</b>	<b>122 960</b>	<b>111 094</b>	<b>10,7</b>



## 1 H 2017



## I H 2016



The XTB has a stable foundation for future growth in the form of a growing customer base. In the II quarter of 2017, the number of new accounts opened was the same as in the IV quarter of 2016, while the first quarter of 2017 was the record for opening new accounts. The total number of new accounts opened in the I half of 2017 increased by 68.3% over the comparable period. The average number of active accounts in the I half of 2017 amounted to 20,016, an increase of 22.8% y/y.

	PERIOD ENDED					
	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
New accounts <sup>1</sup>	9 635	13 280	9 624	8 060	7 178	6 438
Average number of active accounts <sup>2</sup>	19 625	20 408	17 243	16 531	16 305	16 087

<sup>1</sup>) The number of accounts opened by the Group's clients in the particular quarters.

<sup>2</sup>) Average quarterly number of accounts in particular periods.

According to the Management Board, a significant portion of XTB branches should maintain the pace of account growth observed in 2017 in the coming months. Germany, France and Latin America have the biggest potential for business growth. Increasing accounts is not only the result of an optimized sales and marketing strategy, but also the result of product and technology development. The management continues to see great potential in technology and product development, which should help XTB expand its customer base and reach customers who have not previously been the Group's main target client.

Geographically, XTB revenues were well diversified. Their growth has occurred in both Central and Eastern Europe and Western Europe. Countries where the Group derives more than 15% of its revenues each are Spain (23.0%, decrease in share from 25.5%) and Poland (19.4%, decrease in share from 23.4%). The share of other countries in the geographic structure of revenues does not exceed in any case 15%. Latin America is also gaining on global relevance.

(IN PLN'000)	SIX-MONTH PERIOD ENDED		CHANGE (%)
	30.06.2017	30.06.2016	
Central and Eastern Europe	50 165	46 973	6,8
- including Poland	24 322	26 621	(8,6)
Western Europe	67 041	58 361	14,9
- including Spain	28 791	28 981	(0,7)
Latin America and Turkey	8 038	8 481	(5,2)
- including Turkey	5 073	8 480	(40,2)
<b>Total operating income</b>	<b>125 244</b>	<b>113 815</b>	<b>10,0</b>

## Expenses

In the I half of 2017, XTB managed to significantly improve its cost efficiency compared to the same period of the previous year, while maintaining the increase in number of new accounts and the number of active accounts. Operating expenses in the I half of 2017 amounted to PLN 72.5 million, a decrease of 23.8% y/y. This decrease was attributed to the lower by PLN 18.6 million y/y in marketing costs, mainly due to lower spending on advertising campaigns.

(IN PLN'000)	SIX-MONTH PERIOD ENDED		CHANGE
	30.06.2017	30.06.2016	(%)
Salaries and employee benefits	36 267	38 534	(5,9)
Marketing	13 720	32 300	(57,5)
Other external services	10 125	10 816	(6,4)
Costs of maintenance and lease of buildings	3 763	4 481	(16,0)
Amortization and depreciation	3 021	2 777	8,8
Taxes and fees	1 346	890	51,2
Commission expenses	2 621	2 311	13,4
Other expenses	1 675	3 085	(45,7)
<b>Total operating expenses</b>	<b>72 538</b>	<b>95 194</b>	<b>(23,8)</b>

The Management Board expects that in the II half of 2017 operating costs should be at a level comparable to that of the I half of 2017. The final level of operating expenses will depend on the variable remuneration components paid to employees and the level of marketing expenditure. The amount of variable remuneration components will influence the results of the Group. The level of marketing expenditures will depend on the influence on their impact on the performance and profitability of the Group and on the responsiveness of customers to the actions taken.

## Impairment write-down of intangible assets

Take a decision on the Turkish subsidiary X Trade Brokers Menkul Değerler A.Ş. (Current report no. 15/2017) required the creation of a revaluation write-down of a separate intangible asset in the form of a brokerage license for the Turkish market amounting to PLN 5.6 million in the consolidated financial statements for the I half of 2017.

## Negative exchange differences

The XTB Group operates in the international markets which requires having own cash in a variety of foreign currencies. This results in occurring in the reporting periods exchange rate differences, positive and negative. Due to significant zloty appreciation in the I half of 2017, the Group recorded negative exchange differences (finance costs) in the amount of PLN 12.2 million (I half of 2016: PLN 2.9 million).

(IN PLN'000)	SIX-MONTH PERIOD ENDED		CHANGE
	30.06.2017	30.06.2016	(%)
<b>Interest income</b>			
Interest on own cash	1 985	2 367	(16,1)
Interest on customers' cash	425	498	(14,7)
<b>Total interest income</b>	<b>2 410</b>	<b>2 865</b>	<b>(15,9)</b>
Foreign exchange gains	-	6 794	(100,0)
Other finance income	11	14	(21,4)
<b>Total finance income</b>	<b>2 421</b>	<b>9 673</b>	<b>(75,0)</b>



(IN PLN'000)	SIX-MONTH PERIOD ENDED		CHANGE (%)
	30.06.2017	30.06.2016	
<b>Interest expense</b>			
Interest paid to customers	(430)	(299)	43,8
Interest paid under lease agreements	(2)	(6)	(66,7)
Other interest	(45)	(108)	(58,3)
<b>Total interest expense</b>	<b>(477)</b>	<b>(413)</b>	<b>15,5</b>
Foreign exchange losses	(12 239)	(2 907)	321,0
Other finance costs	-	(6)	(100,0)
<b>Total finance costs</b>	<b>(12 716)</b>	<b>(3 326)</b>	<b>282,3</b>

### Selected financial ratios

The financial ratios shown in the table below are not a measure of financial performance in accordance with EU IFRS and should not be treated as a measure of financial performance or cash flow from operating activities and considered an alternative to profit. These indicators are not uniformly defined and may not be comparable to those of other companies, including companies operating in the same sector as the Group.

	SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016
EBITDA (in PLN'000) <sup>1</sup>	55 727	21 398
EBITDA margin (%) <sup>2</sup>	44,5	18,8
Net profit margin (%) <sup>3</sup>	23,4	20,2
Return on equity – ROE (%) <sup>4</sup>	16,9	13,5
Return on assets – ROA (%) <sup>5</sup>	7,1	6,6
Aggregate capital adequacy ratio (%) <sup>6</sup>	11,0	15,9

<sup>1</sup>) EBITDA calculated as operating profit, increased by depreciation.

<sup>2</sup>) Calculated as the quotient of operating profit, including amortization and depreciation and operating income.

<sup>3</sup>) Calculated as the quotient of net profit and operating income.

<sup>4</sup>) Calculated as the quotient of net profit and average balance of equity (calculated as the arithmetic mean of the total equity as the end of the prior period and as the end of the current reporting period; ratios for 6-months periods were annualized).

<sup>5</sup>) 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; ratios for 6-months periods were annualized).

<sup>6</sup>) Calculated as the quotient of equity and total risk exposure.

The table below shows: (i) the number of new accounts opened by the Group's customers in particular periods; (ii) the average number of active accounts; (iii) the total number of accounts; (iv) the value of net deposits in particular periods; (v) average operating income per active account; and (vi) volume of transactions in lots and (vii) profitability per one lot. The information presented in the table below applies to the activities of the retail segment and the institutional segment as a whole.

	SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016
New accounts <sup>1</sup>	22 915	13 616
Average number of active accounts <sup>2</sup>	20 016	16 305
Accounts in total	178 008	139 209
Net deposits (in PLN'000) <sup>3</sup>	215 986	136 569
Average operating income per active account (in PLN'000) <sup>4</sup>	6,3	7,0
Transaction volume in CFD instruments in lots <sup>5</sup>	1 053 896	1 058 309
Profitability per lot (in PLN) <sup>6</sup>	119	108

<sup>1</sup>) Number of accounts opened by the Group's clients in particular periods.

<sup>2</sup>) The average quarterly number of accounts via which at least one transaction has been concluded over the last three months

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

<sup>4</sup>) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.

<sup>5</sup>) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

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

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

	SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016
<b>Retail operations segment</b>	<b>938 563</b>	<b>948 736</b>
Central and Eastern Europe	498 781	509 242
Western Europe	320 836	322 222
Latin America and Turkey	118 946	117 272
<b>Institutional operations segment</b>	<b>115 333</b>	<b>109 573</b>
<b>Total</b>	<b>1 053 896</b>	<b>1 058 309</b>

The table below shows data on the Group's revenue by geographical area for the periods indicated.

	SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016
<b>Result of operations on financial instruments:</b>	<b>122 960</b>	<b>111 094</b>
Central and Eastern Europe	48 504	45 177
Western Europe	66 407	57 463
Latin America and Turkey	8 049	8 454
<b>Income from fees and commissions:</b>	<b>2 247</b>	<b>2 698</b>
Central and Eastern Europe	1 624	1 774
Western Europe	634	898
Latin America and Turkey	(11)	26
<b>Other income:</b>	<b>37</b>	<b>23</b>
Central and Eastern Europe	37	23
Western Europe	-	-
Latin America and Turkey	-	-
<b>Total operating income<sup>1</sup></b>	<b>125 244</b>	<b>113 815</b>
Central and Eastern Europe	50 165	46 973
- including Poland <sup>2</sup>	24 322	26 621
Western Europe	67 041	58 361
- including Spain <sup>2</sup>	28 791	28 981
Latin America and Turkey	8 038	8 481
- including Turkey	5 073	8 480

<sup>1</sup>) The countries where group always generates 15% or more of its revenues include Poland and Spain. The share of any of the other countries the Group's revenue structure by geographical area does not exceed 15%.

<sup>2</sup>) The country which generates the highest revenue in the region.

## Retail operations segment

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

	SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016
New accounts <sup>1</sup>	22 904	13 613
Average number of active accounts <sup>2</sup>	19 985	16 270
Accounts in total	177 922	139 134
Number of transactions <sup>3</sup>	13 248 399	13 803 929
Transaction volume in CFD instruments in lots <sup>4</sup>	938 563	948 736
Net deposits (in PLN'000) <sup>5</sup>	173 176	150 272
Average operating income per active account (in PLN'000) <sup>6</sup>	5,3	6,5
Average cost of obtaining an account (in PLN'000) <sup>7</sup>	0,6	2,3
Profitability per lot (in PLN) <sup>8</sup>	112	111

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

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

<sup>3</sup>) Total number of open and closed transactions in a given period.

<sup>4</sup>) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

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

<sup>6</sup>) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.

<sup>7</sup>) Average cost of obtaining an account comprise total marketing costs of the Group divided by the number of new accounts in given period.

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

The table below presents the average quarterly number of accounts maintained by the Group on which at least one trade was executed in the last three months, by geographical location. The locations of active accounts have been determined based on the location of the Group's office (that maintains the account) except for accounts maintained by XTB Limited. The accounts maintained by XTB Limited have been classified based on the client's country of residence rather than the location of the Group's office.

	SIX-MONTH PERIOD ENDED			
		30.06.2017		30.06.2016
Central and Eastern Europe	11 867	59,4%	9 904	60,9%
Western Europe	6 425	32,1%	5 181	31,8%
Latin America and Turkey	1 684	8,4%	1 185	7,3%
<b>Average number of active accounts total</b>	<b>19 985</b>	<b>100,0%</b>	<b>16 270</b>	<b>100,0%</b>

## Institutional operations segment

Since 2013, the Group has provided its services to institutional clients, including brokerage houses and other financial institutions.

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

	SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016
Average number of active accounts	31	35
Accounts in total	86	75

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

	SIX-MONTH PERIOD ENDED	
	30.06.2017	30.06.2016
Trading in CFD derivatives (in lots)	115 333	109 573

Current Management Plans for the forthcoming periods assume accelerated development of the Group in particular by expanding the client base, further penetrating existing markets, and accelerating the geographical coverage of Latin American markets.

## 5. Factors which in the Management's Board belief may impact the Group's operations in the perspective of at least next quarter

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations until the end of 2017 and in some cases also longer:

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

In principle, the level of Group's revenue is positively affected by higher volatility on the FX/CFD market due to the fact that in the periods of increased volatility on financial and commodity markets, a higher level of transactions concluded by the Group's clients is observed. As a result, high volatility on financial and commodity markets, in principle, leads to an increased volume of transactions on the Group's trading platforms. On the other hand, lower volatility on financial and commodity markets and the related drop in transaction activity of the Group's clients, in principle, leads to a drop in the Group's operating income. In view of the above, the Group's operating income and profitability may drop in the periods of low volatility on financial and commodity markets and lower transaction activity on these markets. Moreover, a more predictable trend may appear whereby the market is moving within a limited price range. This leads to market trends that may be predicted with higher probability than in the case of higher volatility on the markets, which creates favourable conditions for range trading. In such case, a higher number of transactions are observed that bring profits to clients, which leads to a drop in the Group's market making results.

The volatility on FX/CFD markets may significantly influence revenues generated by the Group in subsequent quarters. This is typical for the Group's business model. To illustrate this, historical quarterly financial and operating results of the Group were presented below:

	THREE-MONTH PERIOD ENDED					
	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Total operating income (in PLN'000)	66 526	58 718	93 959	42 802	31 050	82 765
Transaction volume in CFD instruments in lots <sup>1</sup>	513 814	540 082	488 660	468 686	525 108	533 201
Profitability per lot (in PLN) <sup>2</sup>	129	109	192	91	59	155

<sup>1</sup>) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

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

- Starting from 2013, the Group also provides services to institutional clients, including brokers, start-up businesses and other financial institutions within the institutional business line (X Open Hub). As of the date of the foregoing report the Group is in the process of development of this segment's operations, which still is in the early stage of development. Products and services offered by the Group within X Open Hub operations differ from those offered within retail operations. Therefore they are associated with different risks and challenges. As a consequence, the Group's income from this segment may be subject to large fluctuations in subsequent periods. The table below presents the percentage share of the institutional segment in the total operating income.

	30.06.2017	2016	2015	2014	2013
% share of operating income from institutional operations in total operating income	16,1%	7,8%	4,7%	14,1%	4,6%

The Management Board believes that the potential low volatility on the financial and commodity markets in 2017, regulatory changes as well as other factors may unfavorably impact the situation of XTB institutional partners and therefore lead in the upcoming periods to drop in volume traded in lots as well as XTB income from these clients. On the

other hand the Management Board of XTB can't exclude the higher rotation of clients in the institutional segment in the upcoming quarters.

- The Management Board expects that operating expenses in the II half of 2017 should be at a level comparable to that of the I half of 2017. The final level of operating expenses will depend on the variable remuneration components paid to employees and the level of marketing expenditure. The amount of variable remuneration components will influence the results of the Group. The level of marketing expenditures will depend on the influence on their impact on the performance and profitability of the Group and on the responsiveness of customers to the actions taken.
- On 18 May 2017, the Management Board of the Parent Entity decided to withdraw the Group from its activities in Turkey by undertaking activities aimed at extinguishing its activities on this market and liquidating its subsidiary X Trade Brokers Menkul Değerler A.Ş. This decision is due in particular to restrictions imposed by the Turkish regulator, which has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity in Turkey. As a result of the decision, the Group recognized impairment allowance for brokerage fees in the Turkish market of PLN 5,612 thousand. PLN.

The Group's intention is to close its activity on the Turkish market, which from the point of view of recognition in the Company's books of accounts should be understood as the payment of equity capital / liquidation of assets held in the next few months. From external factors such as the current situation in the Turkish economy, the Group's intentions in this area may change. At the time of exit from the Turkish market, the Group will, in accordance with the applicable accounting rules, take action on, reclassification of foreign exchange differences resulting from the conversion of the share capital of the Turkish company from the Foreign exchange difference arising from the translation of equity in the profit and loss account. This operation will not affect the total amount of the Group's equity at the date of its carrying out. However, the Company will be required to demonstrate the effects of the aforementioned conversion within the result from financial activities, in the case of negative exchange rate differences the effects of these translations will constitute financial cost. The Company explains that the amount of foreign exchange differences relating to investments in Turkey is derived from, inter alia, As a result of the fluctuation of the Turkish lira course, the Group is unable to accurately estimate the future financial cost as at the date of this report.

- The current regulatory changes in the industry at national and international level may change its face in the long run. On the one hand, the European Securities and Markets Authority (ESMA) published on 29 June this year statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR. In a statement, ESMA informed that Limiting the level of leverage, banning the offering of bonuses, introducing the protection against negative balance and restrictions on advertising and promotion. According to ESMA, the product interval would enter into force at the earliest January 3, 2018. On the other hand, in Poland in July this year, The draft amendment to the Act on the Amendment to the Financial Market Supervision Act and a number of other statutes has been published to show that the government is planning to reduce the maximum leverage to 1:25 for FX / CFD investors.

The proposed restrictions on the FX / CFD market are aimed at protecting retail investors against market abuse agents which undermined trust in the entire securities and securities industry. In the opinion of the Company, as regards the Polish market from which the Group currently achieves 19.4% of its revenues, it will be crucial to ensure uniform operating conditions for all market participants so that legislative actions do not harm Polish investors by supporting the development of *The gray zone* of foreign entities, where the domestic investor will look for products that are optimal for his investment portfolio. Introducing the proposed restrictions on the domestic FX / CFD industry, where they may be limited to foreign entities, will be detrimental to the Polish customer and the entire market. It should be noted that we are currently dealing with a project, which is not clear with the mere adoption of the changes in the shape presented in it. The legacy of our parliamentary legislative experience (for example, in determining the final amount of MAR sanctions) shows that, as part of the work on the project, it has undergone further changes, evolving to a final version that has not always coincided with the originally announced project. At this moment it is therefore not at all determined that the proposed changes will be enacted and will become effective. For more information on regulatory changes, see the Regulatory Environment section later in this document.

Due to the uncertainty regarding the future economic conditions, expectations and anticipation of the Management Board are particularly fraught with uncertainty.

## 6. Other information

### Equity

As at 30 June 2017 and as at the submission date of the foregoing 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.

### Shares in the free float

On 4 May 2016 the Management Board of the WSE adopted a resolution regarding the admission of the Company's offer shares to exchange trading on the main market of the WSE. The Resolution came into force as of the day of its adoption. On 5 May 2016 the Management Board of the WSE adopted a resolution to introduce the Company's shares, as of 6 May 2016, to regular exchange trading on the main market.

### Shareholding structure

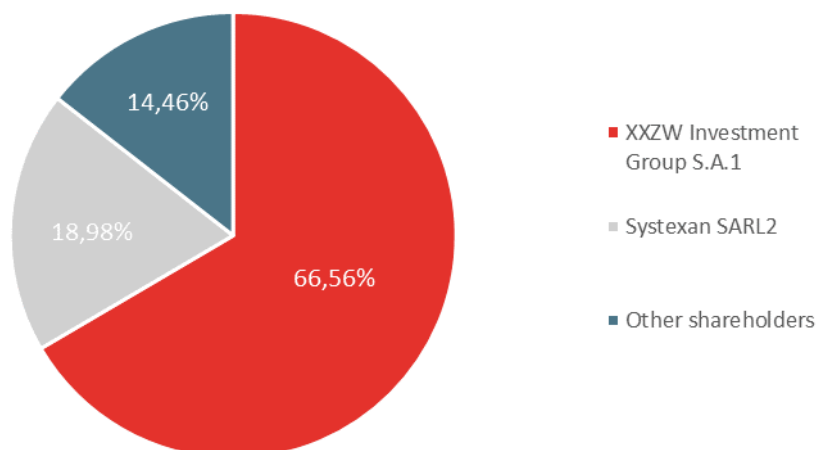
To the best of the Company's Management Board knowledge, as at 15 May 2017, i.e. as at the submission date of the previous quarterly report (report for the I quarter 2017), the shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting were as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A. <sup>1</sup>	78 126 913	3 906	66,56%
Systemax SARL <sup>2</sup>	22 280 207	1 114	18,98%
Other shareholders	16 976 515	849	14,46%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

<sup>1</sup>) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zablocki, 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.

<sup>2</sup>) 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 shareholding structure as at 15 May 2017 is presented on the graph below:



Percentage share in the share capital of the Parent Company of the above mentioned shareholders is equal to the percentage share in total votes at the General Shareholders' Meeting.

According to the best knowledge of the Management Board of the Company as at 30 June 2017, the shareholders holding directly or through subsidiaries of at least 5% of the total number of votes at the General Meeting of the Parent Company were as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A. <sup>1</sup>	78 163 913	3 908	66,59%
Systemax SARL <sup>2</sup>	22 280 207	1 114	18,98%
Other shareholders	16 939 515	847	14,43%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

<sup>1</sup>) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zablocki, 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.

<sup>2</sup>) 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.

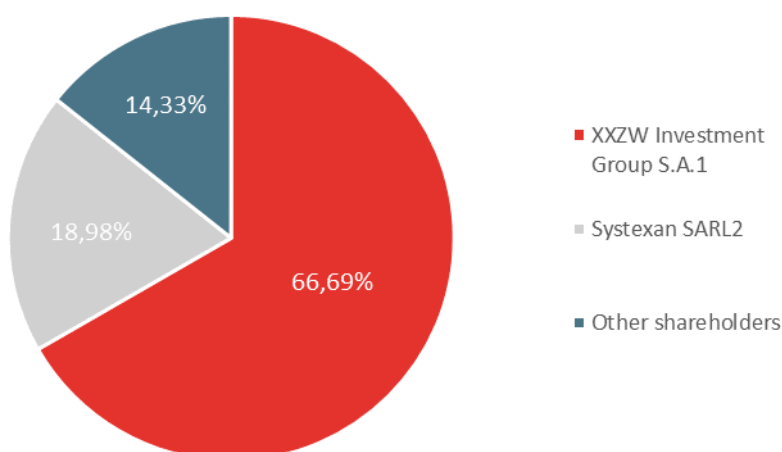
To the best knowledge of the Management Board of the Company as of the date of publication of this periodic report, the shareholders holding directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Company were as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A. <sup>1</sup>	78 282 983	3 914	66,69%
Systemax SARL <sup>2</sup>	22 280 207	1 114	18,98%
Other shareholders	16 820 445	841	14,33%
<b>Total</b>	<b>117 383 635</b>	<b>5 869</b>	<b>100,00%</b>

<sup>1</sup>) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zablocki, 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.

<sup>2</sup>) 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 shareholding structure as at the date of this report is presented below:





## Shares and rights held by Members of the Management and Supervisory Board

The below table presents shares held by Members of the Management and Supervisory Board as at the submission date of the previous and current report.

NAME AND SURNAME	FUNCTION	NUMBER OF SHARES AS AT 15.05.2017	NUMBER OF SHARES HELD AS AT THE DATE OF THIS REPORT
Paweł Frańczak	Board Member	37 328	37 328
Jakub Zabłocki*	Chairman of the Management Board, Chairman of the Supervisory Board	64 040 631	-

\* Chairman of the Supervisory Board X-Trade Brokers Brokerage House S.A. (From January 10, 2017) delegated to temporarily perform the duties of the President of the Management Board of the Company. On March 23, 2017, the Supervisory Board of the Company canceled a delegation of the Chairman of the Supervisory Board, Mr. Jakub Zabłocki, to serve as the President of the Management Board. The number of shares indirectly held by Jakub Zabłocki, which holds 81.97% of the share capital and entitles to exercise 81.97% of the votes at the XXZW shareholders' meeting, is presented in the table as at the date of submission of the previous quarterly report (May 15, 2017). As at 30 June 2017 and as at the date of submission of this report, Mr. Jakub Zabłocki is not a member of the management or supervisory staff, therefore the information on ownership of the shares has not been disclosed.

In addition, on 5 January 2017 the Company received a notification from XXZW Investment Group, which informed on the sale of 79 552 shares in connection with the performance by the participants of the Incentive Scheme entitlements from options granted under the Program. Other managing and supervising persons did not have, at the end of the reporting period and at the date of this report, share the Company's shares. Management and supervisory persons did not have, at the end of the reporting period and as at the date of this report, share options.

## Information on transactions with related parties

In 6 month period ended 30 June 2017 and 30 June 2016 there were no related parties 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)	01.01.2017 - 30.06.2017	30.06.2017	01.01.2016 - 30.06.2016	31.12.2016	30.06.2016
	REVENUE	RECEIVABLES	REVENUE	RECEIVABLES	RECEIVABLES
<b>Shareholders</b>	-	-	-	-	-
<b>Subsidiaries:</b>					
XTB Limited	13 498	3 824	7 412	6 111	1 934
Dub Investments	77	13	79	24	13
X Open Hub Sp. z o.o.	946	532	689	516	647
X-Trade Brokers Menkul Degerler A.Ş.	5 083	2 221	8 666	1 774	4 747
Lirsar S.A.	-	-	10	730	689
XTB International	1 104	744	-	-	-

(IN PLN'000)	01.01.2017 - 30.06.2017	30.06.2017	01.01.2016 - 30.06.2016	31.12.2016	30.06.2016
	COSTS	LIABILITIES	COSTS	LIABILITIES	LIABILITIES
<b>Subsidiaries:</b>					
XTB Limited	(7 658)	1 411	(14 170)	3 115	4 123
Dub Investments	(644)	89	(604)	-	197
X Open Hub Sp. z o.o.	(123)	11	(61)	79	28
X-Trade Brokers Menkul Degerler A.Ş.	(4 358)	2 760	(8 729)	3 648	6 105
XTB International	(5 226)	3 681	-	-	-

## Information on loan sureties or guarantees of at least 10% of the Parent Company's equity granted by the Parent Company or its subsidiaries to one entity or its subsidiary

As at 30 June 2017 and in the reporting period, i.e. from 1 January 2017 to 30 June 2017, 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 would amount to at least 10% of the Parent Company's equity.



**The Management Board's position concerning the realization of previously published forecasts 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 2017.

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

As at 30 June 2017 and as at the submission date of this report the Parent company and its subsidiaries were not a party to the proceedings pending before court, arbitration authority or public administration authority, the value of which could constitute at least 10% of the Issuer's equity.

**Court proceedings**

The Company and the Group Companies are party to several court proceedings related to the Group's business. The proceedings in which the Company and the Group Companies act as plaintiffs relate mostly to employee and client 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 6,33 million, of which suits brought by the employees pending before court five proceedings where the total value of claims was PLN 5,6 million and nine suits brought by clients with the total value of claims of PLN 0,7 million. Below the most significant, in the Company's view, were presented.

As at the submission date of this report, the Company is party to proceedings initiated by a former employee of the Company's branch in France. The matter was brought to court on 21 December 2012. Under the Court judgement of 4 November 2014 the sum adjudicated in favour of the former employee is the equivalent of PLN 100 000. On 14 December 2014, the plaintiff submitted an appeal. Although the judgement issued in the first instance was favourable to the Company, there is still a risk that the Company will lose the dispute.

In view of the complex nature of the dispute and the claim, as at the submission date of this report it is difficult to reliably assess the risks involved in the case. The original value of the claim was set at PLN 2,2 million. However, based on the representation of the law firm that is conducting the case, it should be theoretically assumed that the value of the claim may increase until it is finally settled by approximately EUR 20 000 per month. In view of the above, as at the submission date of this report, the claim was accounted for at the total value of the claims demanded against the Company of approximately PLN 5,2 million.

**Proceedings against XFR Financial Ltd**

The Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), requesting the discontinuation of a breach of a trademark registered by the Company. The Company requested the Regional Court in Warsaw to secure its claim against XFR by: (i) prohibiting XFR from using the verbal and figurative mark "XTRADE"; and (ii) prohibiting XFR from using the verbal mark "XTRADE" in internet domain names. XFR conducts competitive business with respect to the Company and abuses, in the opinion of the Company, the significant recognition of the Company's brand in European countries, thus misleading the Group's existing and potential clients. The Company was notified that the request for protection of his claim against the XFR was dismissed therefore the Company filed an appeal against this decision. The Warsaw Court of Appeal upheld the appeal and changed the challenged judgment by securing XTB's claim against XFR and has banned XFR from using (i) word marks and word-figurative marks "XTB", "X-Trade", "XTrade" , "X" and (ii) the word mark xtrade.eu, as an indications of its company or services.

The Company has also launched a German court proceedings aimed at cessation of infringement of the Company trademark by XFR. According to the court judgment received by the Company, the court has prohibited XFR from using in Germany marks „XTRADE" and „XTRADE EUROPE Ltd" confirming that these marks are confusingly similar to the trademarks registered by the Company. In addition, XFR is also obliged to provide information indicating scope and number of use of those marks in the past and to pay damages, amount of which has not yet been specified. In its judgment the court pointed out that the company has the right to challenge XFR marks and to submit appropriate motion for cancellation of registration XFR marks. The judgment is not final.

**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.

As part of exercising supervisory powers over the Company, the Polish Financial Supervision Authority (PFSA) has performed checks on compliance with legal regulations and internal regulations, (i) the provision of certain brokerage services, (ii) the mode and conditions of dealing with clients, (iii) the organization and operation of the internal control system, the system of compliance with law and the internal audit system, and (iv) technical and organizational conditions for conducting brokerage activities. The audit ended on September 16, 2016.

On October 14, 2016, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. The PFSA did not take into account the Company's objections and therefore issued post-control recommendations, which required the Company to implement appropriate measures to remove the detected irregularities.

The Company has made due diligence to adapt the Company's activities to the PFSA's post-audit recommendations. However, it can not be ruled out that the way of adapting the Company to a given recommendation may be considered illegal or approach of the PFSA. If the Commission determines that the Company has improperly implemented recommendations or due to identified violations or irregularities in the implementation and enforcement of applicable laws and regulations by the Company, the PFSA may impose sanctions or other supervisory measures on the Company. (I) limit or revoke the license to conduct brokerage activity, (ii) impose a fine of up to 10% of the revenue disclosed in the most recent audited financial statements or apply other sanctions.

As part of exercising supervisory powers over the Company, the PFSA has exercised its control over the Company's compliance with its obligations under the provisions of the Anti-Money Laundering Act and the Financing of Terrorism Act of 16 November 2000, among others. Obligations relating to (i) keeping a register of transactions, (ii) monitoring of transactions, (iii) having appropriate procedural solutions, (iv) identifying clients. The audit took place from March 20, 2017 to April 20, 2017. Due to the identified weaknesses in the implementation and application of the applicable regulations and regulations, on 19 June 2017, the PSC submitted post-inspection recommendations which required the Company to implement Appropriate measures to remove detected irregularities.

The Company has adjusted its activity to the PFSA's recommendations with due diligence. Nevertheless, no assurance may be given that the Company's way of activity adjustment to the particular PFSA's recommendation will not be considered as unlawful or non-compliant with PFSA's attitude to the issue, therefore detected infringements in Company's brokerage activity may constitute basis to, inter alia, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of PFSA or other authorities.

Romanian Financial Supervisory Authority („ASF”), within the scope of its supervisory powers with respect to the Company's branch in Romania, has initiated the process of reviewing the branch's compliance with the local law and internal regulations. Scope of control includes, inter alia, review of (i) operational activity, as well as documents and information provided to clients and potential clients, (ii) organization and functioning of internal control system, (iii) transactions registers and the manner of its archiving, (iv) policies and internal mechanisms for money laundering prevention. Control has been initiated on June 6, 2017.

No assurance may be given that if any breach or irregularities in the implementation of prevailing laws and regulations by the Company's branch are identified in the course of the above-mentioned inspection that the ASF will not, inter alia: (i) issue warning, (ii) issue recommendations requiring the branch to implement relevant measures to remedy a breach, (iii) restrict or withdraw the Company's permit to conduct brokerage activities in Romania, or (iv) impose a cash penalty ranging from RON 1 000 to RON 1 000 000 (from PLN 0,9 thousand to PLN 926,9 thousand) or up to 5% of the turnover pertaining to the financial year from before it being sanctioned, or impose other sanctions.

As of the date of submission of the report, the Company is in the process of obtaining a PFSA license to use the delta calculated on the basis of its own option pricing model. The proceeding was initiated by the Company in March 2014, then suspended and resumed by the Company on March 5, 2015. The Company introduced Up & Down options in 2012 on the basis of exceptions stemming from the provisions of the Polish Capital Requirements Regulation Offering Up & Down was not required by the PFSA. Due to the entry into force on January 1, 2014, the CRR Regulation abrogating the Polish Capital Requirement Regulation risks to say that the Group offers Up & Down options without the PFSA's consent, and that the Company may be subject to penalties or other sanctions by the PFSA. from this title.

## **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 m.in. : (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) protection 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 period covered by this report and the changes that will enter into force in the forthcoming period.

### **Changes to the requirements on the subject of providing the brokerage services by the investment firms – the MiFID II/MiFIR system**

The deadline for the entry into force of the MiFID II Directive and MiFIR Regulation (the "MiFID/MiFIR package") was postponed to 3 January 2018. The deadline for transposing the MiFID II Directive into the national law by the particular Member States was postponed to 3 July 2017. The principal assumptions of the MiFID II/MiFIR Package include, inter alia: (i) increasing the powers of supervision authorities; (ii) extending the information requirements of investment firms; (iii) the introduction of additional requirements in terms of managing conflicts of interest and stricter requirements in terms of incentives applied; (iv) the introduction of additional requirements within the scope of trading in derivative instruments in connection with the EMIR Regulations; (v) stricter risk management and internal audit requirements, including the greater role of the compliance department (compliance officer); (vi) the introduction of periodic verification of the appropriateness of a given product for a given client; (vii) the introduction of the obligation to register all client communications in terms of client transactions and providing access to the recordings of conversations and email correspondence (or confirmations) with clients in specific circumstances; and (viii) the introduction of a new category of OTF (organized trading facility) market. As a result of the implementation of the MiFID II/MiFIR Package, investment firms will need to adjust their operations to the requirements specified in the MiFID II/MiFIR Package, which may involve costs and result in a significant restriction of the existing operations of investment firms.

The main assumptions of the MiFID II / MiFIR package are, inter alia: (i) enhancing supervisory competence; (ii) extending the information obligations of investment firms; (iii) introducing additional requirements for the management of conflicts of interest and tightening the requirements on applicable incentives; (iv) introduction of additional derivative trading requirements in connection with the EMIR Regulation; (v) tightening of risk management and internal audit requirements, including enhancing the role of Compliance Officer (Supervision Officer); (vi) periodic verification of the suitability of the product for the customer; (vii) the introduction of an obligation to record any communication with the customer in relation to the client transaction and to make recordings of conversations and e-mail correspondence (or confirmations) to the client in specific cases, and (viii) introduction of a new organized trading facility (OTF). The entry into force of the MiFID II / MiFIR package will require investment firms to adapt their operations to the requirements of the MiFID II / MiFIR Package, which may involve costs and significant limitations on existing investment firms. Poland is currently working on the implementation of the MiFID II / MiFIR Package into the Polish legal order and consultations are being drafted on the amendment of the Act on Trading in Financial Instruments and some other acts.

At the submission date of this report, the Company undertakes efforts in order to adapt its business activity to above-mentioned provisions. The Company is not able to accurately estimate the full impact of the referred regulations on the activity of the Group. It cannot be excluded, that the process of adaptation to the changes may result in the necessity to incur a significant financial outlays by the Group, implementation of significant organizational changes, or even cause the need to reduce its business activity, which may affect financial position and results of the Group as well as the price of shares.

### **Plans for further limitation of CFD's leverage in Poland - draft bill amending act on supervision over financial market and other acts**

Draft bill, dated July 10 2017, which amends act on supervision over financial market has been published on July 12, 2017. According to this act, most important provisions concern, inter alia, (i) increase of requirements of margin deposits for Polish clients in regard to transactions in CFDs, from 1% to 4%, and therefore decrease of financial leverage to 1:25, and (ii) powers granted to PFSA, which allows PFSA to block internet domains of investment firms, used for the purposes of providing non-compliant financial services.

As of the date of this report, the project is being consulted. It is not known yet how the final shape of the bill will look. The entry into force of the leverage restriction in the projected shape will most likely increase the transaction costs for the

Company's clients from Poland, which may adversely affect their ability and interest in trading instruments offered by the Company, particularly when clients have access to foreign investment firms' Polish regulations, which in turn may have a negative impact on the volume of trading in instruments offered by the Company in Poland, and thus on the Company's business, financial position and results.

### **Changes in the scope of protection of personal data - the so-called the GDPR**

On 4 May 2016 in the Official Journal of the European Union a legislative package on a new EU legal framework for data protection has been published. The package 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) 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. Implementation of the Directive by the Member States, with some exceptions, shall take place by 6 May 2018. The GDPR does not require implementation and will be used directly by all of the countries of the Community as of 25 May 2018. It is important to note, that the obligations arising from the GDPR will also affect those entities which are established outside the EU but offer their services to EU citizens.

The purpose of the aforementioned regulations is to ensure a high and uniform level of data protection throughout the European Union, as well as rise a sense of legal certainty in this area. The following main legal changes will be introduced by the GDPR: (i) an increase of administrative penalties, which depending on the violations, may amount to EUR 20 million, or 4% of the worldwide turnover for the previous year, depending on which amount will be higher, (ii) an obligation to notify a personal data protection authority (in Poland: GIODO) not later than 72 hours after having become aware of any breach of data security, (iii) the introduction of the requirement to ensure the security of personal data processing by entrepreneurs by keeping detailed documentation, including documents confirming the compliance of data processing with applicable laws and regulations, (iv) the introduction of the requirement to design the services or products in a way which enables the use of the minimum possible amount of personal data processed for their support, (v) regulation of the data subjects' rights and strengthening of existing rights by limiting the data processing, (vi) granting the GIODO broad powers e.g. the power to impose an obligation to temporarily or permanently reduce data processing by the entrepreneur, including the prohibition on personal data processing, (vii) regulation of the right to data portability, enabling the person to request for transfer its data between entrepreneurs, (viii) the new obligation to establish the Data Security Administrator in each enterprise if: a state authority is a personal data administrator, data processing is the core business of the enterprise or large amounts of sensitive data are processed, (ix) facilitation of processing of personal data within the capital group, which carry on the same activity, (x) the introduction of the "one stop shop" mechanism enabling to choose the supervisory authority for the whole capital group, e.g. the Polish GIODO.

At the submission date of this report, the Company is not able to accurately estimate the impact of the above-mentioned regulations on the activity of the Group. It cannot be excluded, that the process of adaptation to the changes may result in the necessity of to incur a significant financial outlays by the Group, or implementation of significant organizational changes.

### **The exchange of tax information with other countries - implementation of Common Reporting Standard (CRS) and the so-called Euro-FATCA**

Act on the exchange of tax information with other countries of March 9, 2017, entered into force on April 3, 2017. The purpose of the Act is the implementation into the Polish legal system the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation as well as regulations enabling the automatic exchange of tax information with other than EU countries on the basis on a Common Reporting Standard (CRS). The Republic of Poland declared in the multilateral agreement of the competent authorities concerning the automatic exchange of financial information for tax purposes, signed on 29 October 2014, that will implement above-mentioned acts. Poland did not implement the aforementioned directive at the given time. These regulations are aimed to create a system of exchange of tax information between countries, in order to effectively combat tax evasion made by tax residents from each jurisdiction, regarding to their taxable income earned abroad.

According to this Act, financial institutions are required to: (i) the application of due diligence procedures and reporting procedures involving identification and reporting of accounts belonging to tax residents from other countries (ii) registration of undertaken actions with due diligence (iii) collecting the documentation required in application of due diligence procedures, in particular statements about the tax residence of account holders or persons controlling this accounts and

documentary evidences. In addition, institutions are obliged to store the reports, records of activities and documentation indicated above for a period of 5 years from the end of the year in which the obligation to provide information about the account arose. If a financial institution fails to meet these obligations dissuasive sanctions may be imposed.

The Company has exercised due diligence in order to comply with its obligations under the Act. 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 administrative sanctions 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.

### **Guidelines for the brokerage services on the OTC derivatives market**

On 24 May 2016 Polish Financial Supervision Authority (the "PFSA") adopted and issued guidelines concerning the rendering of brokerage services on the OTC derivatives market" (the "PFSA Guidelines"). Contents of the PFSA Guidelines are available on the Company's website. The PFSA Guidelines apply to many aspects of offering services on the OTC market, including, inter alia, the role of supervisory boards and management boards in the process of offering services, the promotion of such services, soliciting clients, outsourcing client solicitation, providing clients with information on the characteristics of and the risks involved in investing on the OTC market, the method of testing if the services provided are adequate to individual client knowledge and experience, the nature of margin collateral, financial leverage and the stop-out mechanism, as well as their practical application, the time required to execute client instructions, information for clients about OTC market profitability statistics, the terminology applied in contracts with clients, transaction costs and the process of the annulment and correction of transactions.

The Company used the best efforts to implement the PFSA Guidelines. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the PFSA approach which may be connected with risk of administrative sanctions 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.

### **The PFSA Guidelines on the management of information technology and ICT environment security for investment firms**

The purpose of these guidelines is to present investment firms with supervisory expectations concerning prudent and stable management of the IT and ICT environment, including specifically the risk associated therewith. According to the position of the PFSA's the guidelines should be applied on a 'comply or explain' basis in terms of the manner of implementation of the specific guidelines, subject to prudential approach, acceptable risk levels and the need to comply with applicable law.

The Company has exercised due diligence in order to comply with the PFSA Guidelines. However, it cannot be excluded that a given rule or requirement will be interpreted by the Company in a manner inconsistent with the PFSA approach which may be connected with risk of supervisory activities and sanctions specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

### **Document including key information on Financial product („KID” – Key Information Document)**

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) was supposed to enter in force on 31 December 2016. On 9 November 2016 European Commission proposed delaying Regulation's entry into force to 1 January 2018. PRIIP Regulation imposes an obligation on specified financial institutions of preparing document which contains key information of given financial product and defines the manner of its presentation to individual investors. KID document needs to be prepared for each packaged retail and insurance-based investment product. These products also include derivatives, such as options and CFDs. PRIIP Regulation precisely defines the elements and the sequence in which they shall be included in KID, that is: (i) product name, (ii) data identifying product manufacturers, (iii) information concerning supervision authority of manufacturer, (iv) appropriate warning if product is difficult to understand, (v) main characteristics of product, (vi) description of risk and return, (vii) costs related with investment, (viii) determine the duration of the possession of the product, (ix) information on methods of claim submission, (x) and other relevant information. In cases of infringement of the obligations arising from PRIIP Regulation the supervisory authority may impose following administrative sanctions and measures: (i) prohibition of the product's being placed on the market, (ii) order to suspend placing the product's on the market, (iii) placing the person responsible for the infringement on the list of the public notices, indicating the nature of the breach, (iv) the prohibition of dissemination KID not satisfying the requirements available and publication of the new version, (v) in case of legal persons administrative sanctions up to EUR 5 000 000, or in member states, whose currency is not the euro the equivalent in national currency at 30th December 2014, or up to 3% the total annual turnover of this legal person in accordance with the most recent available financial statement or up to twice the



amount of the profits gained or losses avoided because of the breach, in case where fair value can be determined, (vi) in case of natural persons administrative sanctions up to EUR 700 000, or in member states, whose currency is not the euro the equivalent in national currency at 30th December 2014, or up to twice the amount of the profits gained, or losses avoided because of the breach, in case where fair value can be determined. The Regulation becomes directly applicable in all member states.

At the submission date of this report it is not possible to assess the full impact of the obligations arising from the PRIIP Regulations on the Group's activities and there is no certainty if adjusting to the obligations and requirements provided at present in the Regulations will not have significant negative impact on the operations, financial position and results of the Group as well as the price of shares.

### **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.

Polish legislator has not transposed the Directive within the required time, which expired on 26 June 2017. The draft bill amending act on counteracting money laundering and terrorism financing implementing to Polish jurisdiction provisions of Directive is under consultations of Committee for European Affairs. Most important provisions of draft bill concern, inter alia, (i) change of definition of beneficial owner and politically exposed person, (ii) necessity of introduction procedures concerning identification and risk assessment regarding the money laundering and terrorism financing in relation to business activity, (iii) obligation of implementing unified AML procedure for entire capital group, (iv) reduction of time period for transaction reporting to GIIF up to 7 days after given transaction, (v) decrease of cash transaction limit to EUR 10 000, (vi) increase of fines and penalties for infringement of AML act to EUR 1 000 000 or EUR 5 000 000 or up to 10% of the revenue shown in the Company's last audited financial statements.

At the submission date of this report the Company is not able to accurately estimate the full impact of the referred regulations on the activity of the Group. It cannot be excluded, that the process of adaptation to the changes may result in the necessity to incur a significant financial outlays by the Group or implementation of significant organizational changes, which may affect financial position and results of the Group as well as the price of shares.

### **Amendment of Trading in Financial Instruments Act**

On April 29, 2017, the Act of 9 March 2017 amending the Trading in Financial Instruments Act and certain other acts entered into force. The most important assumptions introduced by the amendment are, inter alia, the following: (i) the abolition of the regulated market division into the stock exchange market and over-the-counter market, (ii) the introduction of the derivative account definition - provisions indicate entities authorized to maintain derivatives records and specify the scope of permits allowing those entities to keep such records, (iii) the change of the authority authorized to issue permissions for operating a regulated market from the minister responsible for financial institutions into the PFSA and (iv) the promotion of brokerage services. As of the date of entry of this Act into force, clients or potential clients acquisition, including information on the scope of brokerage services and concluding agreements for providing of brokerage services by a financial institution, may be conducted solely by a financial institution or tied agent of investment institution, provided that the investment institution may entrust the promotion of its services to other entities only if the information provided by these entities is directed at the same time to a broad group of clients or potential clients, or to the undefined recipient.

The Company has exercised due diligence in order to comply with the Act. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the Act 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.

## 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 this year. Statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR. In a statement, ESMA informed that Limiting the level of leverage, banning the offering of bonuses, introducing the so-called protection against negative balance and introduction of restrictions on advertising and promotion. The company is not able to predict the final shape of planned changes related to the abovementioned restrictions. As stated by ESMA, intervention restrictions may enter into force at the earliest from 3 January 2018.

The Company is not in a position to predict the final shape of planned changes related to the abovementioned restrictions. According to ESMA's statement, intervention restrictions may enter into force at the earliest as of 3 January 2018. It cannot be ruled out that the restriction introduced by ESMA will have a significant impact on the way the Group offers and promotes financial products, and further on the results. The Group's financial and will require the Group to incur further significant financial outlays and implement significant organizational changes.

### France

In France the works on the introduction of restrictions on promoting the services in the scope of i.a. derivatives on the OTC market were completed. The act, passed by the French parliament on 8 November 2016 entered into force on 11 December 2016. As a consequence of the implementation of the act French supervisory authority - AMF adapted its own regulations applicable to investment firms providing services on French territory. The restrictions are one of the other underlying assumptions included in the French Monetary and Financial Code. The Act introduces, i.a. ban on, indirect and direct transfer through electronic means of transmission promotional materials relating to financial services for non-professional clients and to prospective clients. The ban refers to the services for which a client is unable to estimate maximum exposure to risk at the time of the transaction, in respect of which the risk of financial losses may exceed the value of the initial margin or which the potential risk is not readily apparent due to the ability of the potential benefits.

The Company has exercised due diligence in order to comply with the amended regulations. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the Act 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.

### Turkey

On 10 February 2017 the Communiqué on the changes in the III-37.1 Communiqué on principles regarding investment services, activities and ancillary services have been published in the Official Journal. Key assumptions include the reduction of used leverage to 1:10 and the introduction of minimum deposit of TRY 50 thousand (or the equivalent in foreign currency – approx. 12 thousand USD). The changes referred to above entered into force with immediate effect for all customers and open positions from 10 February 2017, and in relation to the position opened before that date was a deadline 45 days to adjust the current state to the new regulations.

In regard to detailed analysis completed on 18 May 2017 of impact of the regulatory changes of principles concerning investment services and ancillary services on Company operations on the Turkish market the Company decided to withdraw from this market. In relation to the above, the necessary actions have been made in order to liquidate X Trade Brokers Menkul Değerler A.Ş.

### Germany

On 8 May 2017 German supervisory authority - BaFin published General Administrative Act limiting the promotion, distribution and sale of CFD financial instruments, of which transactions may result that on client's account will occur debt. Such debt is the result of transactions where the loss exceeds the value of client's deposits.

The Company has made every effort to comply with the above regulations. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the BaFin approach, which may involve application to the Company of the supervisory activities and sanctions provided for in the applicable legislation and may require the Company to incur further significant financial expenses and Implementation of significant organizational changes.

## Great Britain

On 6 December 2016, British supervisory authority - FCA submitted for consultation the document called Enhancing conduct of business rules for firms providing contract for difference products to retail clients. The main assumptions of legal changes include among others reduction of leverage offered depending on the client's investment in derivatives experience. Under the proposed assumptions for experienced retail clients i.e. those who have done at least 40 transactions in a continuous period of 12 months over the last 3 years, or at least 10 transactions per quarter in the four quarters over the last three years the maximum leverage level will be 1:50. For other clients leverage was set at the maximum level 1:25. Further proposals indicated in the document assume preventing offering of bonuses or rebates, which depend on the opening of an account or payment of deposit by the client. The document also envisages the introduction of obligation to publish standardized information on the risks of investing in derivative instruments and information on the percentage of accounts, on which gain or loss was reported in the preceding quarter and the preceding 12 months.

According to the FCA information, the publication of final version of the document has been delayed, pending the outcome of discussions being conducted within the European Securities and Markets Authority ("ESMA") about the possible use of its product intervention powers under article 40 of MiFIR. At the date of this report, the Company cannot exclude the possibility that the provided restrictions will have a material adverse impact on the operations, financial position and results of the Group on the United Kingdom market, as well as the price of Shares.

## Spain

On 17 March 2017 Spanish supervisory authority (Comisión Nacional del Mercado de Valores – CNMV) has required financial institutions offering CFD financial instruments and binary options which use leverage higher than 1:10, to include relevant information and warnings and to apply mechanisms which enforce client to acquaint with them and to accept the risks related with these products, inter alia, during the process of brokerage services agreement conclusion, before usage of such services and, as well, during usage of such services by client. Required by the CNMV warnings enforce clients of financial institutions to become acquainted with the risks related with products, and in case of willingness to use these products, to express unequivocal acceptance of this risk. Regulations are designed to protect individual investors.

The Company has exercised due diligence in order to comply with the above regulations. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the regulations 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.

## Romania

Romania is working on amending the Capital Markets Act No. 24/2017. The Romanian Regulatory Authority - Autoritatea de Supraveghere Financiară ("ASF") has submitted to the Ministry of Finance a draft amendment, which maintains a prohibition on the distribution of CFD derivatives and binary options to retail clients in Romania. Currently, work is underway to determine the exact scope of the constraints and the final shape of the project. It is envisaged that the amending law may be adopted at the beginning of 2018, while the entry into force could take place in mid-2018. The draft amendment is in the process of consultation and it is not yet known what the final shape of the bill will look like.

## Financial transaction tax

As at the submission date of this report the only jurisdictions where the Group conducts its business and where financial transactions tax was payable were Italy (the tax applies from 1 September 2013) and France (the tax applies from 1 August 2012).

Notwithstanding the above, the work on the pan-European legislation imposing a financial transaction tax a portion of the proceeds of which would be contributed directly to the EU budget is in progress. The original proposal regarding the introduction of such tax provided that the minimum tax rates will be 0.1% on any trading in shares and bonds and 0.01% on any trading in derivative instruments. On 8 December 2015, a working draft of a summary of the meeting of the Economic and Financial Affairs Council, which was held on the same day, was published. It presented the principal assumptions for the future tax on financial trades regarding: (i) shares; and (ii) derivatives. According to that document, the tax should apply to all transactions involving shares, although a more precise definition of its territorial scope was left to the legislative initiative of the European Commission. The document states that the tax will also apply to transactions in derivative instruments executed within the scope of market making activities. As at the submission date of this report there is no official information about the possible date of the imposition of such a tax.



## Risk factors

The Group within its operations monitors and assesses risks and undertakes activities in order to minimize their impact on the financial situation on the ongoing basis.

As at June 30, 2017, and as at the date of this report, the Group identifies the following risks associated with the Group's operations and with the regulatory environment.

Risks associated with the Group's operations:

- the Group's revenue and profitability are influenced by trading volume and volatility in financial and commodity markets that are impacted by factors that are beyond the Group's control;
- economic, political and market factors beyond the Group's control may harm its business and profitability;
- the Group may incur material financial losses from its market making model;
- the Group's risk management policies and procedures may prove ineffective;
- the Group may experience disruptions to or corruption of its infrastructure necessary for the conduct of the Group's business;
- the Group's business relies, to a great extent, on the Group's ability to maintain its good reputation and the general perception of the FX/CFD market;
- the Company may not be able to pay dividends in the future or pay lower dividends than provided in the Group's dividend policy;
- the Group may fail to implement its strategy;
- as a result of implementing its strategy relating to developing its operations in Latin America the Group may be exposed to various risks specific to Latin America;
- the Group may experience difficulties in attracting new retail clients and maintain its active retail client base;
- the Group may be unable to effectively manage its growth;
- the Group is subject to counterparty credit risk;
- the Group is exposed to client credit risk;
- the Group is exposed to the risk of losing its liquidity;
- the Group may lose access to market liquidity;
- the decline in interest rates may have an adverse impact on the Group's revenue;
- the Group's operations in certain regions are subject to increased risks associated with political instability and the risks that are typical of the developing markets;
- the Group operates on a highly competitive market;
- the Group may not be able to maintain technological competitiveness and respond to dynamically changing client demands;
- the Group may be unable to effectively protect or to ensure the continued use of its current intellectual property rights;
- the development of the Group's product and services portfolio and expansion of the Group's operations to include new lines of business may involve increased risks;
- the Group may not be able to hire or retain qualified staff;
- risks related to the Group's cost structure;
- the Group's insurance coverage relating to its operations may be insufficient or not available;
- within its operations the Group is significantly dependent on third parties;
- the Group may not be able to prevent potential conflicts between its interest connected with its activities and the interests of the clients;
- other factors beyond the Group's control could have a material, negative impact on its operations.

Risks associated with the regulatory environment:

- the Group operates in a heavily regulated environment and may fail to comply with the rapidly changing laws and regulations. Additional information regarding the Group's regulatory environment were presented in section 5.2.;
- the Group is required to adapt its business to the new PFSA Guidelines, which may force the Group to incur significant financial expenditures and to implement material organisational changes, and may adversely affect the Group's competitive position;
- the Group is required to adapt its operation to the new ESMA Guidelines, which may require it to incur considerable financial outlays and implement significant organisational changes, and may adversely affect the Group's competitive position;
- the Company is required to maintain minimum levels of capital, which could restrict the Company's and as a consequence Group's growth and subject it to regulatory sanctions;
- the Company may be required to maintain higher capital ratios;
- maximum leverage ratios may be further reduced by regulators;
- the interpretation of the applicable laws may be unclear, and the laws may be subject to change;
- the Group may be exposed to increased administrative burdens and compliance costs as a respect of entering new markets;
- the procedures utilised by the Group, including in respect of anti-money laundering, preventing the financing of terrorism and 'know your client', may not be sufficient to prevent money laundering, the financing of terrorism, market manipulation or to identify other prohibited trades;
- the Group may be exposed to risks related to personal data and other sensitive data processed by the Group;
- a breach of consumer protection regulations may result in adverse consequences for the Group;
- advertising regulations and other regulations may impact the Group's ability to advertise;
- changes in tax law regulations specific for the Group's business, their interpretation or changes to the individual interpretations of tax law regulations could adversely affect the Group;
- the related-party transactions carried out by the Company and the Group Companies could be subject to inspection by the tax or fiscal authorities;
- court, administrative or other proceedings may have an unfavourable impact on the Group's operations, and the Group is exposed, in particular, to the risk of proceedings relating to client complaints and litigation, and regulatory investigation;
- as a brokerage house XTB may be required to bear additional financial burdens under Polish law, including contributions to the investment compensation scheme established by the NDS and contributions for the purpose of financing the PFSA's supervision of capital markets;
- risk related to increased reporting obligations due to the applicability of FATCA and the automatic exchange of information on tax matters;
- the Group will be required to observe and to adjust its business to the MiFID II/MiFIR Package after it enters into force, which may be expensive and time-consuming and may result in significant restrictions in terms of the manner and scope in which the Group may offer its products and services;
- risk related to the implementation into the Polish legal system of the EU regulations concerning the recovery and resolution of financial institutions;
- the Group will be required to adjust its business and to comply with the requirements of the MAD Directive after its implementation into the Polish legal order and the requirements of the MAR Regulation after its entry into force, which may be expensive and time-consuming, and it cannot be excluded that this will lead to substantial restrictions the manner and extent of offering their products and services by the Group.

## **Risk management**

In the reporting period, the most important change in the risk management system was the assumption by the Supervisory Board of the tasks of the Risk Management Committee resulting from the adjustment to the amended law.

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.

At the strategic level, the Management Board is responsible for setting and monitoring the risk management policy. All types of risk are monitored and controlled with respect to the profitability of the business and the level of capital necessary to ensure the safety of operations from the point of view of capital requirements.

A Risk Management Committee, composed of the members of the Supervisory Board, was set up in the Parent Company. The tasks of the Committee include: drafting a document on the risk appetite for a brokerage house, issuing opinions on the management of a brokerage house's risk management strategy, supporting the supervisory board in supervising the brokerage house's risk management strategy, reviewing the remuneration policy and its implementation To adjust the remuneration system to the risks to which the brokerage house is exposed, to its capital, liquidity, probability and timing of receipt of income.

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 Group'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 Supervisory Board of the Parent Company approves procedures for internal capital assessment, management, capital planning and risk management processes, including limit values.

Detailed description of financial risk and methods of managing this risk is presented in Note 32 to the Semi-Annual Condensed Consolidated Financial Statements.

## 7. Statements of the Management Board

### **Statement of the Board of Directors X-Trade Brokers Brokerage House S.A. On the reliability of the preparation of the semi-annual condensed consolidated and separate financial statements**

The Board of X-Trade Brokers Brokerage House S.A. Declares that to the best of our knowledge, the interim condensed consolidated and separate financial statements for the six months ended June 30, 2017 and comparative data have been prepared in accordance with the applicable accounting standards, i.e. International Accounting Standard 34 "Interim Financial Reporting" approved by The European Union.

The Management Board also declares that the presented data accurately, fairly and clearly reflects the Group's financial position and financial results. The Group's activity report provides a true picture of the Group's development and achievements, including a description of key risks and threats.

### **Statement of the Board of Directors X-Trade Brokers Brokerage House S.A. On the entity authorized to review the semi-annual condensed consolidated and separate financial statements.**

The Board of X-Trade Brokers Brokerage House S.A. Declares that the entity authorized to review the interim condensed consolidated and separate financial statements for the 6-month period ended 30 June 2017, i.e. Ernst & Young Audyt Polska Sp. With o.o. Sp.k., based in Warsaw, was chosen in accordance with the law. This entity and the statutory auditors reviewing this report have been complying with the conditions for the preparation of an impartial and independent review report in accordance with applicable laws and professional standards.

Warsaw, 23 August 2017

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Omar Arnaout

President of the  
Management Board

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Paweł Frańczak

Member of the  
Management Board

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Paweł Szejko

Member of the  
Management Board

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Filip Kaczmarzyk

Member of the  
Management Board



Translation of auditor's report originally issued in Polish.  
The Polish original should be referred to in matters of interpretation.

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**Independent Auditor's Report  
on review of interim condensed consolidated financial statements**

**To the General Shareholders Meeting  
and the Supervisory Board X-Trade Brokers Dom Maklerski S.A.**

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Capital Group of X-Trade Brokers Dom Maklerski S.A. ('the Group'), with parent's company X-Trade Brokers Dom Maklerski S.A. ('the Company') registered office located in Warsaw, Ogrodowa 58 Street, as of 30 June 2017 containing the interim condensed consolidated statement of comprehensive income for the period from 1 January 2017 to 30 June 2017, the interim condensed consolidated statement of financial position as at 30 June 2017, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the period from 1 January 2017 to 30 June 2017 and other explanatory notes ('the interim condensed consolidated financial statements').

Management is responsible for the preparation and presentation of accompanying interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed consolidated financial statements based on our review.

*Scope of review*

We conducted our review in accordance with National Financial Revision Standard 2410 based on International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* prepared by International Auditing and Assurance Standards Board ('standard'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying interim condensed consolidated financial statements.

Translation of auditor's report originally issued in Polish.  
The Polish original should be referred to in matters of interpretation.

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*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

on behalf of  
Ernst & Young Audyt Polska spółka  
z ograniczoną odpowiedzialnością sp. k.  
Rondo ONZ 1, 00-124 Warsaw  
Registration No. 130

Key Certified Auditor

( - )

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Arkadiusz Krasowski  
Certified Auditor  
No. 10018

Warsaw, 23 August 2017

Translation of auditor's report originally issued in Polish.  
The Polish original should be referred to in matters of interpretation.

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**Independent Auditor's Report  
on review of interim condensed financial statements**

**To the General Shareholders Meeting  
and the Supervisory Board of X-Trade Brokers Dom Maklerski S.A.**

*Introduction*

We have reviewed the accompanying interim condensed financial statements of X-Trade Brokers Dom Maklerski S.A. ('the Company') with registered office located in Warsaw, Ogrodowa 58 Street, as of 30 June 2017 containing the interim condensed statement of comprehensive income for the period from 1 January 2017 to 30 June 2017, the interim condensed statement of financial position as at 30 June 2017, the interim condensed statement of changes in equity, the interim condensed statement of cash flows for the period from 1 January 2017 to 30 June 2017 and other explanatory notes ('the interim condensed financial statements').

Management is responsible for the preparation and presentation of accompanying interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed financial statements based on our review.

*Scope of review*

We conducted our review in accordance with National Financial Revision Standard 2410 based on International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* prepared by International Auditing and Assurance Standards Board ('standard'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying interim condensed financial statements.



Translation of auditor's report originally issued in Polish.  
The Polish original should be referred to in matters of interpretation.

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*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

on behalf of  
Ernst & Young Audyt Polska spółka  
z ograniczoną odpowiedzialnością sp. k.  
Rondo ONZ 1, 00-124 Warsaw  
Registration No. 130

Key Certified Auditor

( - )

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Arkadiusz Krasowski  
Certified Auditor  
No. 10018

Warsaw, 23 August 2017