



ANNUAL REPORT

FOR 2021

XTB S.A.

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PRESIDENT'S LETTER





President's letter



Dear Sirs and Madams!

On behalf of Management Board of XTB S.A. I present the 2021 report. This document is the summary of the XTB Capital Group's operations over the past year, including generated financial results and the most relevant events.

An important factor of success of XTB is the skilful use of changes in the economic and market environment, not only in the category of maximizing profit, but also consistently strengthening the brand and competitive position of the company. One of the XTB's priorities is to focus on the client by providing him with the best investment offer – both in terms of instruments, tools and services.

Once again we have proved that we are a reliable, stable and responsible partner for our clients and contractors.

The year 2021 was for XTB a period of dynamic business development, entering new markets and building a customer base. As a result, the Group acquired a record 189 thousand new clients compared to 112 thousand a year earlier (an increase of 69% y/y). The intention of Management Board for 2022 is to further increase the client base.

In 2021, we were distinguished by our own breakthrough investment technology and its continuous development. We also continuously developed our xStation trading platform.

The financial results of the XTB Group developed in the past year confirm the stable and well-established position of XTB on the international market. Consolidated operating revenues and net profit amounted to PLN 625,6 million and PLN 237,8 million.

XTB with its strong market position and dynamically growing client base builds its presence in the non-European markets, consequently implementing a strategy on building a global brand. The XTB Management Board puts the main emphasis on organic development, on the one hand increasing the penetration of European markets, on the other hand successively building its presence in Latin America, Asia and Africa.

The good results obtained every year are the result of our proper development strategy, flexibility and, above all, the commitment of our employees.

Looking forward, I'm sure that XTB Group is strong and well prepared to face challenges of competitive market.

On behalf of the Management Board, I would like to thank our Shareholders, the Supervisory Board and Employees for their commitment and work to build the value of the XTB Capital Group. I hope that the next years will bring further development of the activity carried out by XTB S.A., confirmed not only by the growing number of new clients, but also by the growing offer of products and services as well as the simultaneous ability to generate value.

Thank you for your trust in us in 2021. I encourage you to read the annual report attached.

Yours sincerely,

Omar Arnaout

President of the Management Board



FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

	IN PLN'000		IN EUR'000	
	12 MONTH PERIOD ENDED		12 MONTH PERIOD ENDED	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Comprehensive income statement:				
Total operating income	562 352	748 294	122 851	167 246
Profit on operating activities	273 163	511 919	59 675	114 416
Profit before tax	286 651	514 237	62 622	114 934
Net profit	234 841	418 176	51 303	93 464
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	2,00	3,56	0,44	0,80
Cash flow statement:				
Net cash from operating activities	206 020	467 401	45 007	104 466
Net cash from investing activities	55 419	(381 365)	12 107	(85 236)
Net cash from financing activities	(214 791)	(32 100)	(46 923)	(7 174)
Increase/(Decrease) in net cash and cash equivalents	46 648	53 936	10 191	12 055

	IN PLN'000		IN EUR'000	
	31.12.2021		31.12.2021	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Statement of financial position:				
Total assets	2 971 558	2 155 631	646 075	467 113
Total liabilities	2 059 139	1 266 648	447 697	274 475
Share capital	5 869	5 869	1 276	1 272
Equity	912 419	888 983	198 378	192 637
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	7,77	7,57	1,69	1,64

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: 4,5775;
 - for the comparative period: 4,4742;
- 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: 4,5994;
 - for the comparative period: 4,6148.



STANDALONE FINANCIAL STATEMENTS





COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	TWELVE-MONTH PERIOD ENDED	
		31.12.2021	31.12.2020
Result of operations on financial instruments	5.1	555 840	744 344
Income from fees and charges	5.2	4 404	3 827
Other income		2 108	123
Total operating income	5	562 352	748 294
Salaries and employee benefits	6	(102 530)	(95 126)
Marketing	7	(75 267)	(51 213)
Other external services	9	(71 157)	(57 601)
Commission expenses	10	(23 804)	(14 636)
Amortisation and depreciation	19,20	(7 485)	(6 881)
Taxes and fees		(3 900)	(3 170)
Costs of maintenance and lease of buildings	8	(2 596)	(2 447)
Other costs	11	(2 450)	(5 301)
Total operating expenses		(289 189)	(236 375)
Profit on operating activities		273 163	511 919
Impairment of investments in subsidiaries	16	(1 022)	(2 244)
Finance income	12	18 625	4 927
Finance costs	12	(4 115)	(365)
Profit before tax		286 651	514 237
Income tax	29	(51 810)	(96 061)
Net profit		234 841	418 176
Other comprehensive income		(1 288)	1 712
Items which will be reclassified to profit (loss) after meeting specific conditions		(1 288)	1 712
- foreign exchange differences on translation of foreign operations		(1 102)	(864)
- foreign exchange differences on valuation of separated equity		(230)	3 180
- deferred income tax		44	(604)
Total comprehensive income		233 553	419 888
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	28	2,00	3,56
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	28	2,00	3,56
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	28	2,00	3,56
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	28	2,00	3,56

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



STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	31.12.2021	31.12.2020
ASSETS			
Cash and cash equivalents	14	2 185 986	1 436 232
Financial assets at fair value through P&L	15	663 725	632 760
Investments in subsidiaries	16	39 879	35 890
Income tax receivables		7 247	2 584
Financial assets at amortised cost	17	47 796	23 564
Prepayments and deferred costs	18	7 093	4 881
Intangible assets	19	450	477
Property, plant and equipment	20	12 562	11 725
Deferred income tax assets	29	6 820	7 518
Total assets		2 971 558	2 155 631
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to customers	21	1 879 191	1 104 252
Financial liabilities held for trading	22	94 469	73 398
Income tax liabilities		132	494
Liabilities due to lease	24	4 382	7 544
Other liabilities	23	44 429	52 883
Provisions for liabilities	25	4 665	4 911
Deferred income tax provision	29	31 871	23 166
Total liabilities		2 059 139	1 266 648
Equity			
Share capital	26	5 869	5 869
Supplementary capital	26	71 608	71 608
Other reserves	26	598 651	390 592
Foreign exchange differences on translation	26	1 450	2 738
Retained earnings		234 841	418 176
Total equity		912 419	888 983
Total equity and liabilities		2 971 558	2 155 631

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



STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for the period from 1 January 2021 to 31 December 2021

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	26	26	26,27	26	27	
As at 1 January 2021	5 869	71 608	390 592	2 738	418 176	888 983
Total comprehensive income for the financial year						
Net profit	-	-	-	-	234 841	234 841
Other comprehensive income	-	-	-	(1 288)	-	(1 288)
Total comprehensive income for the financial year	-	-	-	(1 288)	234 841	233 553
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit						
- dividend payment	-	-	-	-	(210 117)	(210 117)
- transfer to other reserves	-	-	208 059	-	(208 059)	-
Increase (decrease) in equity	-	-	208 059	(1 288)	(183 335)	23 436
As at 31 December 2021	5 869	71 608	598 651	1 450	234 841	912 419

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



Statement of changes in equity for the period from 1 January 2020 to 31 December 2020

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	26	26	26,27	26	27	
As at 1 January 2020	5 869	71 608	364 619	1 026	54 145	497 267
Total comprehensive income for the financial year						
Net profit	-	-	-	-	418 176	418 176
Other comprehensive income	-	-	-	1 712	-	1 712
Total comprehensive income for the financial year	-	-	-	1 712	418 176	419 888
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit						
- dividend payment	-	-	-	-	(28 172)	(28 172)
- transfer to other reserves	-	-	25 973	-	(25 973)	-
Increase (decrease) in equity	-	-	25 973	1 712	364 031	391 716
As at 31 December 2020	5 869	71 608	390 592	2 738	418 176	888 983

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



CASH FLOW STATEMENT

(IN PLN'000)	NOTE	TWELVE-MONTH PERIOD ENDED	
		31.12.2021	31.12.2020
Cash flows from operating activities			
Profit before tax		286 651	514 237
Adjustments:		(33 375)	45 031
Amortization and depreciation	19,20	7 485	6 881
Foreign exchange (gains) losses from translation of own cash		(9 457)	(5 791)
(Gain) Loss on investment activity		332	12 111
Other adjustments	33.1	(1 298)	1 338
Changes			
Change in provisions		(246)	3 459
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(76 583)	(58 255)
Change in balance of restricted cash		(693 649)	(520 694)
Change in financial assets at amortised cost		(24 232)	(10 817)
Change in balance of prepayments and accruals		(2 212)	(1 340)
Change in balance of amounts due to customers		774 939	584 702
Change in balance of other liabilities		(8 454)	33 437
Cash from operating activities		253 276	559 268
Income tax paid		(47 432)	(92 139)
Interests		176	272
Net cash from operating activities		206 020	467 401
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		20	1
Expenses relating to payments for property, plant and equipment	20	(7 363)	(4 159)
Expenses relating to payments for intangible assets	19	(210)	(324)
Expenses relating to payments for investments in subsidiaries	16	(5 012)	-
Expenses relating purchase of bonds		(712 743)	(668 567)
Proceeds from sale of bonds		773 250	286 545
Interests on bonds		2 377	2 473
Dividends received from subsidiaries		5 100	2 666
Net cash from investing activities		55 419	(381 365)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(4 498)	(3 656)
Interest paid under lease		(176)	(272)
Dividend paid to owners		(210 117)	(28 172)
Net cash from financing activities		(214 791)	(32 100)
Increase (Decrease) in net cash and cash equivalents		46 648	53 936
Cash and cash equivalents – opening balance		494 766	435 039
Effect of FX rates fluctuations on balance of cash in foreign currencies		9 457	5 791
Cash and cash equivalents – closing balance	15	550 871	494 766

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



ADDITIONAL EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. General information

1.1 Name and registered seat of the Company

Name:	XTB Spółka Akcyjna
Legal form:	Joint Stock Company
Country:	Poland
Company registered seat:	Prosta 67, 00-838 Warsaw
Regon statistical number:	015803782
Tax Identification Number:	5272443955
Registration in the National Court Register:	0000217580

1.2 Company business

XTB S.A. („Company”, „XTB is a joint-stock company established pursuant to a notarial deed of 2 September 2004 - Repertory A-2712/2004. The Company was established for an indefinite period.

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 5272443955.

The Company's operations consist of conducting brokerage activities on the stock exchange and 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.

On January 1, 2022, the address of the registered office of XTB S.A. from Ogrodowa street 58, 00-876 Warsaw at Prosta street 67, 00-838 Warsaw.

On January 12, 2022, the Management Board of XTB S.A. received the decision of the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register on the registration of amendments to the Articles of Association of the Company on January 5, 2022 made by Resolution No. 9 of the Extraordinary General Meeting of the Issuer of November 19, 2021 on amendments to the Articles of Association, pursuant to which the name of the entity was changed.

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

The 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 and in the comparative period, the Management Board was composed of the following persons:

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

2. Compliance statement

These financial statements were prepared based on International Financial Reporting Standards (IFRS).

These financial statements constitute standalone financial statements of XTB S.A. and it is included in the consolidated financial statements of XTB. Information on company's subsidiaries is presented in note 16.

The financial statements of the XTB S.A. prepared for the period from 1 January 2020 to 31 December 2020 with comparative data for the year ended 31 December 2019 cover the Company's financial data and financial data of the branch offices.

These financial statements have been prepared on the historical cost basis, with the exception of financial assets at fair value through P&L and financial liabilities held for trading 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 financial statements include adjustments made in order to reconcile their financial statements with the IFRS.

The financial statements were approved by the Management Board on 8 March 2022.

Drafting these financial statements, the Company decided that none of the Standards would be applied retrospectively.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

2.1 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).



2.2 Going concern

The 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 financial statements, the Management Board of XTB S.A. does not state any circumstances that would threaten the company's continued operations.

2.3 Comparability of data and consistency of the policies applied

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

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

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

2.5 Changes in the accounting policies

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2020, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2

The changes implemented in Stage 2 provide accounting solutions for the recognition of changes in contractual cash flows or changes in hedging relationships resulting from the application of a new reference rate at the stage of implementation of the IBOR reform and the disclosure requirements regarding the impact of the reform. The IASB introduced practical simplifications to IFRS concerning changes in cash flows required by the reform. These changes are recognized by updating the effective interest rate. The practical simplification can only be used if:

- the change in the reference rate results directly from the reform;
- the new contract reference rate is economically equivalent to the previous pre-reform rate.

As part of this project, it was proposed to enable the changes required by the IBOR reform to designate hedged items and in the documentation related to hedged items in accordance with IFRS 9 and IAS 39 without discontinuing certain hedge accounting requirements.

The IASB also introduced a number of reliefs relating to:

- amounts included in the cash flow hedge reserve;
- grouping of items designated as hedged items;
- meeting the criterion separately identified by the risk component designated for the hedging relationship;
- retrospective effectiveness assessment.

The Company does not apply hedge accounting, therefore the IBOR reform has no impact on the annual consolidated financial statements. Moreover, the Company has no financial instruments that would require disclosure in terms of IBOR reform.

- Amendments to IFRS 4 „Insurance Contracts” – deferral of IFRS 9

In 2017, the Board released the new standard IFRS 17 "Insurance Contracts". The standard implements the biggest revolution in the reporting of insurance companies in decades.



The aim is to ensure greater transparency and comparability than in the case of the current IFRS 4 accounting standard, resulting in the occurrence in practice of many, often different accounting principles, which are often inconsistent within one capital group. IFRS 4 was released in 2004 as a transitional IFRS standard that allowed entities to apply their previous accounting practice and focused only on introducing improved disclosures about the amounts, timing and uncertainties about future cash flows from insurance contracts and thus did not regulate some accounting matters precisely enough.

- Amendment to IFRS 16 „Leases” - Covid 19 - Related Rent Concessions

As a result of the Covid-19 pandemic and the introduced restrictions in social life and the economy, entities can negotiate the terms of the leasing contract, including force majeure clauses contained in leasing contracts. In addition, lessors may provide various benefits to lessees, such as vacation rentals, rent reductions, etc. The general requirements of IFRS 16 for the recognition of such changes require judgment when assessing whether a change in lease payments is a modification within the meaning of the standard, which would involve with a re-measurement of the lease liability or the recognition of a new lease.

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

The new or amended standards and interpretations that are applicable for the first time in 2021 do not have a significant impact on the Company's condensed financial statements.

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

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

- Annual amendments to various standards due to “Improvements to IFRS (Cycle 2018-2020)” – effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 37 - Onerous Contracts—Cost of Fulfilling a Contract– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 16 - Property, Plant and Equipment – Proceeds before Intended Use– effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 3 – Reference to the Conceptual Framework– effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 17 “Insurance contracts” (issued on 18 May 2017) –effective for financial years beginning on or after 1 January 2023;
- Amendments to IAS 8 “Accounting policies, changes in accounting estimates and errors”- not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- Amendments to IAS 1 – Classification of liabilities as current or non- current - not yet endorsed by EU at the date of approval of these financial statements –effective for financial years beginning on or after 1 January 2023.
- Amendments to IAS 1 Presentation of Financial Statements - classification of liabilities as current or non-current– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;
- Amendments to IAS 12 Income Taxes - deferred tax related to assets and liabilities arising from a single transaction– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 17 “Insurance Contracts” - initial application of IFRS 17 and IFRS 9 – comparative information– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;

Above new standards and interpretations which have been published but are not yet binding do not have a significant impact on the Company's condensed financial statements.



3. Professional judgement

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

Revenue recognition

Transaction price is determined at fair value, what is described in detail in notes 4.13 and 4.14. Variable remuneration, liabilities due to reimbursements and other in the case of the Company do not occur.

3.1 Material estimates and valuations

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

3.2 Impairment of assets

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

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

Deferred income tax assets

At each balance sheet date, the Company assesses the likelihood of settlement of unused tax credits with the estimated future taxable profit, and recognises the deferred tax asset only to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, which is described in note 30.2.2.

Period for settlement of the deferred tax asset

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

3.3 Fair value measurement

Information on estimates relative to fair value measurement is presented in note 38 – Risk management.

3.4 Other estimates

Provisions for liabilities connected with retirement, pension and death benefits are calculated using the actuarial method by an independent actuary as the current value of the Company's future amounts due to employees, based on their employment and



salaries as at the balance sheet date. The calculation of the provision amount is based on a number of assumptions, regarding both macroeconomic conditions and employee turnover, risk of death, and others.

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

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

4. Adopted Accounting principles

4.1 Functional currency and reporting currency

Transactions executed in currencies other than the functional currency are entered on the basis of the exchange rate as at the transaction date. As at the balance sheet date, the monetary assets and liabilities in foreign currencies are translated using the average NBP rate as at that date. Non-cash items are carried based on historical cost.

The Company's functional currency is the Polish zloty, which is also the functional currency of these financial statements.

Foreign exchange differences are reported under revenue or expenses of the period in which they occur, except for:

- foreign exchange differences regarding construction-in-progress which are included in expenses connected with such construction-in-progress and treated as adjustments of interest expenses on loans in foreign currencies;
- foreign exchange differences arising from cash items of receivables or amounts due to foreign operations with whom no settlements are planned, or such settlements are improbable, representing a portion of net investments into a foreign operation and recognised under capital reserve on the translation of foreign operations and profit/loss on the disposal of a net investment.

The following exchange rates were adopted for the purpose of measuring assets and liabilities as at the balance sheet date and for converting items of the comprehensive income statement:

CURRENCY	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
USD	4,0600	3,7584	-	-
EUR	4,5994	4,6148	3,8757	4,4742
CZK	0,1850	0,1753	0,1785	0,1687
RON	0,9293	0,9479	0,9293	0,9239
HUF	0,0125	0,0126	-	-
GBP	5,4846	5,1327	-	-
TRY	0,3016	0,5029	-	-

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits on demand. Other monetary assets are short-term, highly liquid investments that are readily convertible to specific amounts of cash and which are subject to an insignificant risk of changes in value. The classifies as cash equivalent investments which are readily convertible to a specific amount of cash, are subject to an insignificant risk of changes in value, and with payment terms of up to three months as of the date of acquisition.

Cash flows are inflows and outflows of cash and other monetary assets. The Company discloses cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows and items of income or expense associated with investing or financing cash flows. Income from interest received on cash and other monetary assets and expenses from interest paid to customers are classified under operating activities, while expenses from interest paid under finance lease are classified under financing activities.



Cash comprises the Company's own cash and customers' cash. Customers' cash is deposited in bank accounts separately from the Company's cash. Customers' cash and cash equivalents are not analysed in the cash flow statements.

4.3 Financial assets and liabilities

Investments are entered as at the date of purchase and derecognised from the financial statements as at the date of sale (transactions are recognised as on the date of conclusion) if the agreement requires their delivery on a specific date set forth by the market, and their initial value is measured at fair value. Transaction costs of the acquisition of financial assets and liabilities at fair value through profit or loss are entered under costs for the period, while the transaction costs of other types of assets and liabilities are recognised at the initial value of these assets and liabilities.

Financial assets are classified as:

- debt instruments at amortised cost;
- debt instruments at fair value through other comprehensive income;
- equity instruments at fair value through other comprehensive income, and
- financial assets at fair value through P&L.

Financial liabilities are classified as:

- financial liabilities at fair value through P&L and
- other financial liabilities.

Financial assets classification

Financial assets are classified to the following categories:

- measured at amortised cost,
- measured at fair value through P&L,
- measured at fair value through other comprehensive income.

An entity classifies a financial asset based on the entity's business model for the management of financial assets and characteristics of the cash flows arising from the contract for a financial asset (the so-called "SPPI criterion"). The entity reclassifies investments in debt instruments if, and only if, the management model for those assets changes.

Initial measurement

Except for certain trade receivables, at initial recognition, an entity measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Derecognition

Financial assets are derecognised when:

- the contractual rights to the cash flows from the financial asset expired, or
- the contractual rights to the cash flows from the financial asset were transferred and the Company transferred all risks and rewards of ownership of the financial asset.
- Subsequent measurement of financial assets
- After initial recognition financial assets are classified to one of the below categories:
- debt instruments at amortised cost;
- debt instruments at fair value through other comprehensive income;
- equity instruments at fair value through other comprehensive income;
- financial assets at fair value through P&L.



4.3.1 Debt instruments measured at amortised cost

Financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.3.2 Debt instruments measured at fair value through other comprehensive income

Financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue, exchange rate differences and impairment gains or losses for a financial asset are recognized in profit or loss and calculated in the same way as in case of financial assets measured in amortised cost. Other changes in fair value are recognized in other comprehensive income. On derecognition of a financial asset its entirety profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Interest revenue is calculated by using the effective interest method and recognized in profit or loss in position "Finance income".

4.3.3 Equity instruments – financial assets measured at fair value through other comprehensive income

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such election is made separately for each equity instrument. The cumulative gain or loss previously recognised in other comprehensive income is not subject to reclassification to profit or loss. Dividends are recognised in profit or loss when the entity's right to receive payment of the dividend is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

4.3.4 Financial assets measured at fair value through profit or loss

Financial assets items which do not meet the criteria of measurement at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Profit or loss from measurement of debt investments at fair value is recognized in profit or loss.

Dividends are recognized in profit or loss when the entity's right to receive payment of the dividend is established.

The company falls into this category mainly OTC derivatives and stocks.

4.3.5 Fair value measurement

Fair value is the price that can be obtained at the date of valuation from the sale of an asset or can be paid for the transfer of liability in an ordinary transaction between market participants.

For financial instruments available on an active market, the fair value is measured based on quoted market prices. A market is considered to be active if the quoted prices are generally and directly available and represent current and actual transactions concluded between unrelated parties.

For instruments for which there is no active market, the fair value is determined on the basis of valuation models.

The fair value of a financial instrument at initial recognition is the transaction price, i.e. fair value of the price paid or received.



Pursuant to IFRS 13 "Fair Value Measurement", the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs, namely:

1. valuation based on the data fully observable (active market quotations);
2. valuation models using information which does not constitute the data from Level 1, but observable, either directly or indirectly;
3. valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from Method 1 to 2 takes place when, for financial instruments measured using Method 1, quoted prices from an active market are not available at the balance sheet date (and they used to be);
- transfer from Method 2 to 3 takes place when, for financial instruments measured using Method 2, the value of parameters not derived from the market has become material at a given balance sheet date (and it used to be immaterial).

4.3.6 Impairment of financial assets

Financial assets, aside from those carried at fair value through profit or loss, are tested for impairment at every balance sheet date. Financial assets are impaired when there is objective evidence that the events which occurred after initial recognition of the asset have an adverse impact on the estimated future cash flows of the given financial assets.

Concerning listed stock classified as available for sale, a material or long-term decline in share prices is considered to be objective evidence of impairment.

For certain categories of financial assets, e.g. trade receivables, specific assets which are not considered past due, are tested for impairment cumulatively. Objective evidence of impairment of a portfolio of receivables includes the Company's experience in collecting receivables; increase in the number of payments past due by 90 days on average and observable changes in the domestic or local economic environment which are connected with cases of the untimely payment of liabilities.

In case of some categories of financial assets, for example trade receivables, particular assets assessed as not overdue are tested for impairment together. Objective evidence of impairment for the receivables portfolio includes the Company's experience in the debt collection process; increase in the number of late payments exceeding an average of 90 days as well as observed changes in the conditions of the national or local economy which are connected with cases of untimely repayment of receivables.

At each reporting date, an entity measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. At each reporting date, an entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, an entity compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

4.3.7 Derecognition of financial assets from the balance sheet

The Company derecognises a financial asset from the balance sheet only when contractual rights to cash flows generated by the asset expire or when the financial asset with essentially all risks and rewards of ownership of such asset is transferred to another entity. If the Company does not transfer or retain essentially all risks and rewards of ownership of such asset, and continues to control it, the Company recognises the retained share in such asset and related liabilities under payments due, if any. If, in turn, the Company retains essentially all the risks and benefits of the asset transferred, it continues to recognise the relevant financial asset. At the time of derecognising a financial asset in full, the difference between (i) the carrying amount and (ii) the sum of payment received and any accumulated gains or losses entered under other comprehensive income, is recognised under the income or expenses for the period.



4.3.8 Financial liabilities held for trading (at fair value through profit or loss)

In this category the Company includes financial liabilities held for trading or classified as carried at fair value through profit or loss at initial disclosure.

A financial liability is classified as held for trading if:

- it was incurred primarily for repurchase over a short period of time;
- it is part of a specific financial instrument portfolio managed jointly by the Company in accordance with the current and actual model for generating short-term profits; or
- it is a derivative instrument not classified and not operating as collateral.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in IAS 24 Related Party Disclosures), for example, the entity's board of directors and chief executive officer.

Financial liabilities at fair value through profit or loss are disclosed at fair value and the resulting financial profits or losses are entered under income or expenses for the period, and the resulting financial profit or loss is recognised as the income or expenses for the period, taking into account interest paid on a given financial liability.

4.3.9 Other financial liabilities

Other financial liabilities, including bank loans and borrowings, are initially carried at fair value less transaction costs.

Later on, they are measured at amortised cost using the effective interest rate method.

The effective interest rate method is used to calculate amortised cost of a liability and to allocate interest costs in the appropriate period. The effective interest rate is a rate effectively discounting future cash payments in the anticipated useful life of a given liability or a shorter period if necessary.

4.3.10 Derecognition of financial liabilities from the balance sheet

The Company derecognises financial liabilities from the balance sheet only if the appropriate liabilities of the Company are performed, invalidated or if they expire. At the time of derecognising a financial liability, the difference between (i) the carrying amount and (ii) the sum of payment made any accumulated gains or losses is entered under income or expenses for the period.

4.4 Investments in subsidiaries

Subsidiaries are understood as entities controlled by the Parent Company (inclusive of special purpose entities). It is recognized that control exists when the Company has the ability to influence through the power on risks and rewards of variable returns to investor from the investment.

Investments in subsidiaries in separate financial statements are valued at cost.

4.5 Contributions to the compensation scheme

The Company makes obligatory payments to the compensation scheme maintained by KDPW which constitute long-term receivables of the compensation scheme participant due from the KDPW.

Pursuant to the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws No. 183, item 1538, as amended, hereinafter, the "Act"), the Company participates in the obligatory compensation scheme. The purpose of the compensation



scheme maintained by the KDPW is to secure the assets held in cash accounts and securities accounts of customers of brokerage houses and banks maintaining securities accounts, in the event of their loss, in accordance with the principles established in the Act. The compensation scheme is created from payments made by its participants and profits generated on such payments. Payments contributed to the compensation system may be returned to a brokerage house only when it is fully discharged from participation in the system (it winds up its operations specified in the decision on withdrawal, repeal of a permit to provide brokerage services or expiry of such permit) and provided that such funds have not already been used for purposes as specified. On a quarterly basis, the KDPW informs system participants of accrued profits. The Company's payments to the compensation system are reported as expenses, under "Other costs" in the comprehensive income statement.

The Company maintains a register of payments to the compensation system and profits generated in connection with the management of funds collected by the KDPW in the compensation scheme in a manner that enables calculation of the balances of payments made and profits accrued.

4.6 Intangible assets

Intangible assets include the Company's assets which do not exist physically, which are identifiable and can be reliably measured, and which will give the Company economic benefits in the future.

Intangible assets are disclosed initially at cost of acquisition or production. As at the balance sheet date, intangible assets are carried at cost less accumulated amortisation and impairment write-offs, if any.

Intangible assets arising as a result of development works are disclosed in the statement of financial position, provided that the following conditions are met:

- from a technical point of view, it is feasible to complete the intangible asset so that it is available for use or sale;
- it is possible to demonstrate the intent to complete the intangible asset and to use and sell it;
- the intangible asset will be fit for use or sale;
- it is known how the intangible asset will generate probable future economic benefits;
- technical and financial resources necessary to complete development works and its use or sale will be provided;
- it is possible to reliably measure the expenditures attributable to the intangible asset during its development.

The expenditures attributable to the intangible asset during its development and expenditures that do not meet the above criteria are disclosed as expenses in the comprehensive income statement as on the date they were incurred.

Amortisation of intangible assets is carried out on the basis of rates reflecting their estimated useful lives. The Company has no intangible assets with an indefinite useful life. The straight-line method is applied to depreciate intangible assets with a definite useful life. The useful life of the respective intangible assets is as follows:

TYPE	DEPRECIATION PERIOD
Software licences	5 years
Intangible assets manufactured internally	5 years

Intangible assets are tested for impairment, whenever there is an indication of impairment, however with regard to intangible assets in the period of realisation, a potential impairment is defined at each balance sheet date. Effects of impairment and of amortisation of intangible assets are disclosed under operating expenses.

Intangible assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of the lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.7 Property, plant and equipment

Property, plant and equipment include items of property, plant and equipment as well as expenses for property, plant and equipment under construction which the Company intends to use in connection with its operations and for administration



purposes, in a period of over 1 year, and which will bring economic benefits in the future. Expenditures on property, plant and equipment include actual capital expenditures, as well as expenditures for future supplies of equipment and services connected with the development of items of property, plant and equipment (prepayments made). Property, plant and equipment include significant specialist spare parts which are elements of a tangible asset.

Property, plant and equipment and expenses for property, plant and equipment under construction are initially disclosed at cost of acquisition or production. Significant components are also treated as separate items of property, plant and equipment. As at the balance sheet date, property, plant and equipment is carried at cost less depreciation and impairment write-offs, if any.

Depreciation of property, plant and equipment, including their components, is carried out on the basis of rates reflecting their estimated useful lives, and starts in the month following the month they are accepted for use. Useful life estimates are reviewed on an annual basis. The straight-line method is applied to depreciate property, plant and equipment. The useful life of the respective items of property, plant and equipment is as follows:

TYPE	DEPRECIATION PERIOD
Computers	5 years
Vehicles	5 years
Office furniture and equipment	from 5 to 12 years

Assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.8 Leasing

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

Identifying a lease

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

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

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

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

Initial recognition and measurement

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

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

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

- a) the amount of the initial measurement of the lease liability,
- b) all lease payments paid on or before the date of commencement, less any lease incentives received,
- c) all initial costs directly incurred by the lessee, and
- d) estimated costs to be incurred by the lessee in connection with the dismantling and removal of underlying assets, the refurbishment of premises within which they were located, or the refurbishment of underlying assets to the condition required by the terms and conditions of the lease.

Lease payments included in the evaluation of lease liability include:



- fixed lease payments;
- variable lease payments, which depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts that are expected to be paid by the lessee as part of the guaranteed residual value;
- the call exercise price, should it be assumed with reasonable certainty that the Company shall decide to exercise the call option;
- penalty payments for termination of a lease, unless it can be assumed with reasonable certainty that the Company shall not terminate the lease.

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

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

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

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

- a) the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant basic rate for the given currency, as well as
- b) the Company's credit risk premium based on the credit margin calculated inclusive of the credit risk segmentation of all companies which have entered into lease agreements.

Subsequent measurement

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

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

- a) less any accumulated depreciation and accumulated impairment losses; and
- b) adjusted in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

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

- a) increasing the carrying amount to reflect interest on the lease liability,
- b) decreasing the carrying amount to reflect the leasing payments made, and
- c) remeasuring of the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

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

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

Depreciation

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

Impairment

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



Simplifications and practical solutions in the application of IFRS 16

Short-term lease

The Company applies a practical solution to short-term lease contracts, which are characterised by contract term to 12 months. Simplifications regarding these contracts involve the settlement of lease payments as costs:

- on a straight-line basis, for the duration of the lease agreement, or
- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

Leases of low-value assets

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

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

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

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

- a) the lessee may benefit from use of the underlying asset itself or with other resources which are readily available to him, and
- b) the underlying asset is not highly dependent on or related to other assets.

4.9 Impairment of property, plant and equipment and intangible assets except goodwill

As at each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets for indications of impairment. If such indications are identified, the Company estimates the recoverable amount of a given asset in order to determine the potential write-down thereon. When an asset does not generate cash flows that are largely independent of those from other assets, an analysis is carried out for the Company's cash-generating assets to which a given asset belongs. Where it is possible to specify a reliable and uniform allocation basis, the Company's property, plant and equipment are allocated to the relevant cash-generating units or the smallest clusters of cash-generating units for which such reliable and uniform allocation bases can be established.

For intangible assets with an indefinite useful life, an impairment test is performed yearly and whenever there are any indications of potential impairment.

The recoverable amount is calculated as the higher of: fair value less selling costs or value-in-use. The latter value represents the current value of estimated future cash flows discounted using the discount rate before tax taking into account the current market time value of money and the asset-specific risk.

If the recoverable amount is lower than the carrying amount of an asset (or a cash-generating unit), the carrying amount of the asset or the unit is decreased to the recoverable amount. Impairment loss is recognised promptly as the cost of the period when it occurred.

If the impairment loss is then reversed, the net value of an asset (or a cash-generating unit) is increased to the newly estimated recoverable amount, however no higher than the carrying amount of the assets that would be established had the impairment loss of an asset / cash-generating unit not been recognised in the preceding years. A reversal of impairment losses is disclosed promptly in the comprehensive income statement.

4.10 Provisions for liabilities

Provisions for liabilities are established when the Company has an existing legal or constructive obligation connected with past events and it is probable that the performance of this obligation will result in an outflow of funds representing economic benefits, and the amount of the liability can be reliably assessed, although the amount or maturity of the liability are not certain.

The amount of the provision recognised reflects the most accurate estimates possible of the amount required to settle the current liability as at the balance sheet date, taking into account risk and uncertainty connected with this liability. In the event of



measuring a provision using the estimated cash flow method necessary to settle the current liability, its carrying amount reflects the current value of such cash flows.

If it is probable that some or all of the economic benefits required to settle a provision can be recovered from a third party, such receivable will be recognised as an asset, provided that the probability of recovery is sufficiently high and can be reliably assessed.

4.10.1 Onerous contracts

Current liabilities under onerous contracts are disclosed as provisions. A contract entered into by the Company is considered to be onerous if it involves inevitable costs of performance of contractual obligations whose value exceeds the value of economic benefits expected under the contract.

4.11 Equity

Equity includes capitals and funds established in compliance with the mandatory legal regulations, i.e. applicable laws and the statute. Retained profit is also disclosed under equity. Share capital is disclosed in the amount set out in the Company's Statute. Unregistered payments to the share capital are disclosed under the Company's equity and reported in the nominal amount of the payment received

4.12 Customers' financial instruments and nominal values of transactions on derivatives (off-balance sheet items)

Off-balance sheet items include: the nominal values of derivatives in transactions executed with customers and brokers in the OTC market, and the values of financial instruments of the Company's customers, acquired on the regulated stock exchange market and deposited in the accounts of the Company's customers.

4.13 The result of operations on financial instruments

The result of operations on financial instruments covers all realised and unrealised income and expenses connected with trading in financial instruments, including dividend, interest and FX rate differences. The result of operations on financial instruments is calculated as the difference between the value of the instrument at the sale price and the purchase price.

The result of operations on financial instruments is composed of the following items:

- Result on financial assets at fair value through P&L: result on financial instruments on transactions with customers and brokers;
- The net income/(costs) on financial assets at amortised cost: result on debt securities (interest result calculated using the effective interest rate method);
- Discounts for customers and commissions for introducing brokers depend on the actual volume of trading in the financial instruments. This item decreases the result on transactions in financial instruments

4.14 Fee and commission income and expenses

Fee and commission income includes brokerage fees and other charges against financial services charged to customers, and is disclosed at the date when the customer enters into a given transaction.

Fee and commission expenses are connected with financial brokerage services acquired by the Company, and disclosed at the date when the services were provided.



4.15 Cost of employee benefits

Short-term employee benefits, including specific contributions to benefit schemes, are disclosed in the period when the Company received a given benefit from an employee, and in the case of profit distribution or bonus payments, when the following conditions are met:

- the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For paid leave benefits, employee benefits are recognised to the extent of accumulated paid leave, at the time of performance of work that increases the entitlement to future paid absences (provision for unused holidays). Non-accumulating paid absences are recognised when the absences occur.

Post-employment benefits in the form of benefit schemes (retirement severance pays) and other long-term benefits (length of service bonuses, etc.) are determined using the projected personal right method, with an actuarial valuation performed at each balance sheet date. Actuarial gains and losses are disclosed in full in the comprehensive income statement. Past service costs are recognised promptly to the extent in which they pertain to benefits already gained, and in other cases amortised with the straight line method for the average period after which such benefits are gained.

Pursuant to the requirements of the Regulation of the Minister of Finance of 2 December 2011 on the principles of defining the policy of variable remuneration elements for the management staff by brokerage houses, starting from 2012, the Company applies the policy of variable remuneration elements for the persons occupying key positions. Benefits granted to the employees within the framework of the Program of variable remuneration elements are granted in cash – 50 per cent and in the form of the financial instruments whose value is related to the Company's financial standing – 50 per cent. The part of benefits granted in the form of financial instruments whose value is related to the Company's financial standing, is paid in cash within three years after the date of being granted. The provision for employee benefits due to variable remuneration elements is recognised in accordance with IAS 19 in the comprehensive income statement in "Employee benefits and remuneration".

4.16 Finance incomes and costs

Finance income includes interest income on funds invested by the Company. Finance costs consist of interest expense paid to customers, interest on finance lease paid and other interest on liabilities other than relating to result of operations on financial instruments.

Interest income and expenses are disclosed in profits or losses of the current period, using the effective interest rate method.

Dividend income is disclosed at the time when the shareholders' right to obtain such dividend is established.

Finance income and costs also include gains and losses arising from foreign exchange rate differences, disclosed in net amounts.

4.17 Tax

The entity's income tax comprises current tax due and deferred tax.

4.17.1 Current tax

Current tax liability is calculated on the basis of the tax result (taxable base) for a given financial year. The tax profit (loss) is different from the accounting net profit (loss) because it does not include non-taxable income and non-deductible expenses. Tax expenses are calculated on the basis of tax rates in force in a given financial year and pursuant to the tax regulations of the countries in which the branches of the Company and its subsidiaries are located.

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.

4.17.2 Deferred income tax

Deferred tax is calculated using the balance sheet method, based on differences between the carrying amounts of assets and liabilities and corresponding tax values used to calculate the tax basis.

Deferred tax liability is established on all taxable positive temporary differences, while deferred tax assets are recognised up to the probable amount of a reduction in future taxable profit by recognised deductible temporary differences and tax losses or credits that the Company may use.

The value of deferred tax assets is assessed as on each balance sheet date and if the expected future taxable profits are not sufficient to realise an asset or its portion, a write-down will be performed.

Deferred tax is calculated based on tax rates that will be applicable when the asset is realised or the liability becomes due. In the statement of financial position, deferred tax is disclosed upon off-set to the extent that it applies to the same tax residency.

4.17.3 Current and deferred tax for the current reporting period

Current and deferred tax is disclosed in the comprehensive income statement, except for cases in which it pertains to items that credit or debit other comprehensive income directly, because then the tax is also disclosed in the other comprehensive income statement, or when it is the result of an initial calculation of a business combination.

4.18 Earnings per share

Earnings per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the reporting period.



5. Operating income

5.1 Result of operations in financial instruments

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Financial instruments (CFD)		
Commodity CFDs	313 948	263 949
Index CFDs	209 304	425 917
Currency CFDs	79 761	91 951
Stock and ETF CFDs	34 885	12 885
Bond CFDs	223	198
Total CFDs	638 121	794 900
Stocks and ETFs	(689)	4 988
Dividends from subsidiaries	5 100	2 666
Gross gain on transactions in financial instruments	642 532	802 554
Intermediary services	(86 148)	(57 501)
Commission paid to cooperating brokers	(544)	(709)
Net gain on transactions in financial instruments	555 840	744 344

Intermediary services are services performed on the foreign markets by the Company's subsidiaries.

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

The Company's operating incomes is generated from: (i) spreads (the differences between the "offer" price and the "bid" price); (ii) net results (gains offset by losses) from Company's market making activities; (iii) fees and commissions charged to its clients; and (iv) swap points charged (being the amounts resulting from the difference between the notional forward rate and the spot rate of a given financial instrument). The table below presents percentage share of income categories in gross gain on transactions in financial instruments (excluding dividends from subsidiaries).

	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Spread	83%	54%
Market Making	-23%	30%
Swap, fees and commissions	40%	16%
Gross gain on transactions in financial instruments (excluding dividends from subsidiaries).	100%	100%

5.2 Income from fees and charges

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Fees and charges from institutional clients	2 699	2 536
Fees and charges from retail clients	1 705	1 291
Total income from fees and charges	4 404	3 827



5.3 Geographical areas

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Operating income		
Central and Eastern Europe	332 416	404 341
- including Poland	214 933	295 075
Western Europe	144 985	282 316
Latin America *	86 491	61 637
Middle East	(1 540)	-
Total operating income	562 352	748 294

*The subsidiary XTB International Ltd., with its seat in Belize, acquires clients from Latin America and the rest of the world.

The countries from which the Company derives each time 20% and over of its revenue is Poland with a share of 38,2% (2020: 39,4%). Due to the overall share in the Company's revenue Poland was set apart for presentation purposes within the geographical area. The share of other countries in the structure of the Company's revenue by geographical area does not in any case exceed 20%.

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

6. Salaries and employee benefits

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Salaries	(84 768)	(78 692)
Social insurance and other benefits	(15 405)	(14 484)
Employee benefits	(2 357)	(1 950)
Total salaries and employee benefits	(102 530)	(95 126)

7. Marketing

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Marketing online	(70 605)	(47 664)
Marketing offline	(4 662)	(3 549)
Total marketing	(75 267)	(51 213)

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

8. Costs of maintenance and lease of buildings

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Maintenance costs	(1 710)	(1 608)
Costs for renting low-value or short-term tangible assets	(236)	(213)
Other costs	(650)	(626)
Total costs of maintenance and lease of buildings	(2 596)	(2 447)



9. Other external services

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Intermediary services	(38 406)	(32 917)
Support database systems	(14 149)	(9 806)
Market data delivery	(7 381)	(6 014)
Legal and advisory services	(4 825)	(3 205)
Internet and telecommunications	(2 661)	(2 146)
Accounting and audit services	(1 441)	(1 356)
Recruitment	(750)	(347)
Postal and courier services	(431)	(295)
IT support services	(311)	(674)
Other external services	(802)	(841)
Total other external services	(71 157)	(57 601)

Intermediary services represent remuneration paid to subsidiaries. The increase in 2020 relates to intensive development of these companies' operation on the foreign markets.

10. Commission expenses

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Bank commissions	(19 334)	(11 099)
Stock exchange fees and charges	(3 886)	(3 016)
Commissions of foreign brokers	(584)	(521)
Total commission expenses	(23 804)	(14 636)

11. Other expenses

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Materials	(841)	(818)
Liquidation of fixed assets	(553)	(16)
Insurance	(307)	(263)
Business trips	(231)	(162)
Representation	(30)	(11)
Membership fees	(11)	(46)
Receivables impairment write-downs	21	(317)
Costs relating to legal risk	-	(3 377)
Other	(498)	(291)
Total other expenses	(2 450)	(5 301)

Write-downs of receivables are the result of the debit balances which arose in customers' accounts in that period.

12. Finance income and costs

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Interest income		
Interest on own cash	22	433
Interest on customers' cash	24	225
Total interest income	46	658
Foreign exchange gains	18 535	51
Other finance income	44	50
Income on bonds	-	4 168
Total finance income	18 625	4 927



(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Interest expense		
Interest paid under lease agreements	(176)	(272)
Other interest	(118)	(92)
Total interest expense	(294)	(364)
Loss on bonds	(3 808)	–
Other finance costs	(13)	(1)
Total finance costs	(4 115)	(365)

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

13. 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 FOR TWELVE-MONTH PERIOD ENDED 31.12.2021 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	556 978	(1 138)	555 840	555 840
CFDs				
Commodity CFDs	313 509	439	313 948	313 948
Index CFDs	210 559	(1 255)	209 304	209 304
Currency CFDs	80 108	(347)	79 761	79 761
Stock and ETF CFDs	34 851	34	34 885	34 885
Bond CFDs	232	(9)	223	223
Stocks and ETFs	(689)	-	(689)	(689)
Dividends from subsidiaries	5 100	-	5 100	5 100
Intermediary services	(86 148)	-	(86 148)	(86 148)
Commission paid to cooperating brokers	(544)	-	(544)	(544)
Income from fees and charges	1 705	2 699	4 404	4 404
Other income	2 108	-	2 108	2 108
Total operating income	560 791	1 561	562 352	562 352
Salaries and employee benefits	(101 163)	(1 367)	(102 530)	(102 530)
Marketing	(75 257)	(10)	(75 267)	(75 267)
Other external services	(70 693)	(464)	(71 157)	(71 157)
Commission expenses	(23 804)	-	(23 804)	(23 804)
Amortisation and depreciation	(7 399)	(86)	(7 485)	(7 485)
Taxes and fees	(3 868)	(32)	(3 900)	(3 900)
Costs of maintenance and lease of buildings	(2 561)	(35)	(2 596)	(2 596)
Other costs	(2 384)	(66)	(2 450)	(2 450)
Total operating expenses	(287 129)	(2 060)	(289 189)	(289 189)
Operating profit	273 662	(499)	273 163	273 163
Impairment of investments in subsidiaries	-	-	-	(1 022)
Finance income	-	-	-	18 625
Finance costs	-	-	-	(4 115)
Profit before tax	-	-	-	286 651
Income tax	-	-	-	(51 810)
Net profit	-	-	-	234 841



ASSETS AND LIABILITIES AS AT 31.12.2021 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	1 574 637	60 478	1 635 115	1 635 115
Financial assets at fair value through P&L	647 096	16 629	663 725	663 725
Other assets	672 219	499	672 718	672 718
Total assets	2 893 952	77 606	2 971 558	2 971 558
Amounts due to customers	1 815 098	64 093	1 879 191	1 879 191
Financial liabilities held for trading	81 453	13 016	94 469	94 469
Other liabilities	85 479	–	85 479	85 479
Total liabilities	1 982 030	77 109	2 059 139	2 059 139



COMPREHENSIVE INCOME STATEMENT FOR TWELVE-MONTH PERIOD ENDED 31.12.2020 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	658 239	86 105	744 344	744 344
CFDs				
Index CFDs	373 087	52 830	425 917	425 917
Commodity CFDs	230 742	33 207	263 949	263 949
Currency CFDs	88 152	3 799	91 951	91 951
Stock and ETF CFDs	16 835	(3 950)	12 885	12 885
Bond CFDs	(21)	219	198	198
Stocks and ETFs	4 988	–	4 988	4 988
Dividends from subsidiaries	2 666	–	2 666	2 666
Intermediary services	(57 501)	–	(57 501)	(57 501)
Commission paid to cooperating brokers	(709)	–	(709)	(709)
Income from fees and charges	1 291	2 536	3 827	3 827
Other income	123	–	123	123
Total operating income	659 653	88 641	748 294	748 294
Salaries and employee benefits	(93 032)	(2 094)	(95 126)	(95 126)
Marketing	(51 091)	(122)	(51 213)	(51 213)
Other external services	(57 534)	(67)	(57 601)	(57 601)
Commission expenses	(14 515)	(121)	(14 636)	(14 636)
Amortisation and depreciation	(6 785)	(96)	(6 881)	(6 881)
Taxes and fees	(3 142)	(28)	(3 170)	(3 170)
Costs of maintenance and lease of buildings	(2 413)	(34)	(2 447)	(2 447)
Other costs	(5 265)	(36)	(5 301)	(5 301)
Total operating expenses	(233 777)	(2 598)	(236 375)	(236 375)
Operating profit	425 876	86 043	511 919	511 919
Impairment of investments in subsidiaries	–	–	–	(2 244)
Finance income	–	–	–	4 927
Finance costs	–	–	–	(365)
Profit before tax	–	–	–	514 237
Income tax	–	–	–	(96 061)
Net profit	–	–	–	418 176



ASSETS AND LIABILITIES AS AT 31.12.2020 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	889 551	51 915	941 466	941 466
Financial assets at fair value through P&L	619 118	13 642	632 760	632 760
Other assets	581 038	367	581 405	581 405
Total assets	2 089 707	65 924	2 155 631	2 155 631
Amounts due to customers	1 051 609	52 643	1 104 252	1 104 252
Financial liabilities held for trading	63 508	9 890	73 398	73 398
Other liabilities	88 998	–	88 998	88 998
Total liabilities	1 204 115	62 533	1 266 648	1 266 648



14. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	31.12.2021	31.12.2020
In current bank accounts	2 185 986	1 436 232
Cash and cash equivalents in total	2 185 986	1 436 232

Own cash and restricted cash – customers' cash:

(IN PLN'000)	31.12.2021	31.12.2020
Customers' cash and cash equivalents	1 635 115	941 466
Own cash and cash equivalents	550 871	494 766
Cash and cash equivalents in total	2 185 986	1 436 232

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

15. Financial assets at fair value through P&L

(IN PLN'000)	31.12.2021	31.12.2020
Index CFDs	105 098	120 687
Currency CFDs	80 115	35 974
Stock and ETF CFDs	66 105	31 295
Commodity CFDs	59 029	37 041
Bond CFDs	18	12
Debt instruments	331 926	398 615
Stocks and ETFs	21 434	9 136
Total financial assets at fair value through P&L	663 725	632 760

Detailed information on the estimated fair value of the instrument is presented in note 38.1.1.

16. Investments in subsidiaries

(IN PLN'000)	31.12.2021	31.12.2020
At the beginning of the reporting period	35 890	54 463
Increase	5 012	–
Decrease	–	(36 409)
Utilization	–	20 080
Impairment of investments in subsidiaries	(1 023)	(2 244)
At the end of the reporting period	39 879	35 890

Impairment of investments in subsidiaries

(IN PLN'000)	31.12.2021	31.12.2020
Impairment write-downs of investments in subsidiaries – at the beginning of the reporting period	(3 074)	(20 910)
Utilization	–	20 080
Write-downs recorded	(1 023)	(2 244)
Impairment write-downs of investments in subsidiaries – at the end of the reporting period	(4 097)	(3 074)



Detailed information on subsidiaries

NAME OF SUBSIDIARY	COUNTRY OF REGISTERED OFFICE	31.12.2021		31.12.2020	
		CARRYING AMOUNT OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	CARRYING AMOUNT OF SHARES (IN PLN'000)	SHARE IN CAPITAL %
XTB Limited	Great Britain	20 139	100%	20 139	100%
X Open Hub Sp. z o.o.	Poland	5	100%	5	100%
XTB Limited	Cyprus	7 560	100%	7 560	100%
Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş.	Turkey	861	100%	1 883	100%
XTB International Limited	Belize	4 420	100%	4 420	100%
XTB Chile SpA	Chile	403	100%	403	100%
XTB Services Limited	Cyprus	337	100%	337	100%
XTB Africa (PTY) Ltd.	RPA	2 339	100%	1 142	100%
XTB MENA Limited	ZEA	3 814	100%	–	100%
Lirsar S.A. en liquidacion	Uruguay	–	100%	–	100%
X Trading Technology Sp. z o.o. w likwidacji	Poland	–	–	–	100%
XTB Services Asia Pte. Ltd	Singapore	–	–	–	100%
Total		39 878		35 889	

On 3 March 2020 general meeting of the company X Trade Brokers Menkul Değerler A.S. with its seat in Turkey took decision to reduce the company's share capital from TRY 22 500 thousand to TRY 100 thousand. On 15 September 2020, the liquidation process of the company in Turkey has begun. The name of the company was changed to Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş.

As at the 31 December 2021, amount of negative foreign exchange differences on translation of balances in foreign currencies of Turkish company amounted PLN (3 658), at the 31 December 2020, amount of negative foreign exchange differences on translation of balances in foreign currencies of Turkish company amounted PLN (3 022) thousand (ref note 25). Exchange differences will be recognized in consolidated financial statement at the date of liquidation of the company.

In September 2020 the Company established XTB Foundation. On 23 December 2020 foundation was entered into the National Court Register. As at the date of these interim financial statements the foundation has not conduct its statutory activity.

On 9 January 2021 XTB MENA Limited with its seat in United Arab Emirates was registered. the Parent Company will acquire 100% of shares in the subsidiary. On 13 April 2021 shared of XTB MENA Limited with its seat in United Arab Emirates were paid by the Company. Capital was contributed in the amount of USD 1 million.

On 8 November 2021 the Company acquired 100 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital As at the date of these financial statements the company has not conduct its operations.

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

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

The scope of activities of subsidiaries:

- XTB Limited (UK) – brokerage activity
- X Open Hub Sp. z o.o. – applications and electronic trading technology offering
- XTB Limited (CY) – brokerage activity



- XTB International Limited – brokerage activity
- XTB Chile SpA – the activity of acquiring clients
- XTB Services Limited – marketing, marketing and sales activities (sales support)
- XTB MENA Limited – brokerage activity
- XTB Africa (PTY) Ltd. – the Company has not yet conducted operations
- Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. – the company does not conduct its operations, is in the process of liquidation

Impairment of investments in subsidiaries

As at 31 December 2021 due to the circumstances indicating value impairment as decrease of value of net assets value below purchase price, the Company recognized a write-off due to impairment of its investment in a subsidiary in Turkey in the amount of PLN 4 097 thousand. 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. The impairment write-off was created up to the amount of net assets for which almost entirely cash is held in the bank. As at 31 December 2020 the write-off due to impairment of Turkish subsidiary amounted to PLN 3 074 thousand. As at the balance sheet date the process of withdrawing the activity was not finalized. Since December 2019 Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. does not have an active license to running business.

17. Financial assets at amortised cost

(IN PLN'000)	31.12.2021	31.12.2020
Receivables due from clients	26 983	16 008
Trade receivables	19 183	7 806
Deposits	3 603	1 991
Trade receivables due from related parties	346	300
Statutory receivables	312	347
Gross other receivables	50 427	26 452
Impairment write-downs of receivables	(39)	(9)
Impairment write-downs of receivables due from clients	(2 592)	(2 879)
Total net other receivables	47 796	23 564

Movements in impairment write-downs of receivables

(IN PLN'000)	31.12.2021	31.12.2020
Impairment write-downs of receivables – at the beginning of the reporting period	(2 889)	(2 573)
Write-downs recorded	(333)	(357)
Write-downs reversed	354	40
Write-downs utilized	237	1
Impairment write-downs of receivables – at the end of the reporting period	(2 631)	(2 889)

Write-downs of receivables in 2021 and 2020 resulted from the debit balances which arose in customers' accounts in those periods.

18. Prepayments and deferred costs

(IN PLN'000)	31.12.2021	31.12.2020
CRM	2 026	1 461
Advertising	1 689	601
Licenses and news services	1 412	847
Database application	844	1 122
Insurance	276	273
Prepaid rent	210	182
Other	636	395
Total prepayments and deferred costs	7 093	4 881



19. Intangible assets

Intangible assets in the period from 1 January 2021 to 31 December 2021

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	TOTAL
Gross value as at 1 January 2021	5 883	10 792	16 675
Additions	210	–	210
Sale and scrapping	(760)	–	(760)
Net foreign exchange differences	41	–	41
Gross value as at 31 December 2021	5 374	10 792	16 166
Accumulated amortization as at 1 January 2021	(5 406)	(10 792)	(16 198)
Amortization for the current period	(238)	–	(238)
Sale and scrapping	760	–	760
Net foreign exchange differences	(40)	–	(40)
Accumulated amortization as at 31 December 2021	(4 924)	(10 792)	(15 716)
Net book value as at 1 January 2021	477	–	477
Net book value as at 31 December 2021	450	–	450

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 2020 to 31 December 2020

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	TOTAL
Gross value as at 1 January 2020	5 556	10 792	16 348
Additions	324	–	324
Sale and scrapping	(47)	–	(47)
Net foreign exchange differences	50	–	50
Gross value as at 31 December 2020	5 883	10 792	16 675
Accumulated amortization as at 1 January 2020	(5 176)	(10 792)	(15 968)
Amortization for the current period	(220)	–	(220)
Sale and scrapping	37	–	37
Net foreign exchange differences	(47)	–	(47)
Accumulated amortization as at 31 December 2020	(5 406)	(10 792)	(16 198)
Net book value as at 1 January 2020	380	–	380
Net book value as at 31 December 2020	477	–	477

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



20. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2021 to 31 December 2021

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	TOTAL
			COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT		
Gross value as at 1 January 2021	14 846	7 049	13 485	361	23	35 764
Additions	4 003	3 051	–	–	309	7 363
Lease	–	–	1 142	195	–	1 337
Sale and scrapping	(607)	(2 587)	(7 066)	(149)	–	(10 409)
Net foreign exchange differences	11	23	37	6	1	78
Gross value as at 31 December 2021	18 253	7 536	7 598	413	333	34 133
Accumulated amortization as at 1 January 2021	(11 685)	(5 471)	(6 640)	(243)	–	(24 039)
Amortization for the current period	(2 708)	(592)	(3 825)	(122)	–	(7 247)
Sale and scrapping	602	2 203	6 832	147	–	9 784
Net foreign exchange differences	(12)	(15)	(37)	(5)	–	(69)
Accumulated amortization as at 31 December 2021	(13 803)	(3 875)	(3 670)	(223)	–	(21 571)
Net book value as at 1 January 2021	3 161	1 578	6 845	118	23	11 725
Net book value as at 31 December 2021	4 450	3 661	3 928	190	333	12 562



Property, plant and equipment in the period from 1 January 2020 to 31 December 2020

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	TOTAL
			COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT		
Gross value as at 1 January 2020	10 979	6 454	13 089	334	117	30 973
Additions	3 846	407	–	–	(94)	4 159
Lease	–	–	1 078	3	–	1 081
Sale and scrapping	(88)	–	(1 183)	–	–	(1 271)
Net foreign exchange differences	109	188	501	24	–	822
Gross value as at 31 December 2020	14 846	7 049	13 485	361	23	35 764
Accumulated amortization as at 1 January 2020	(9 315)	(4 850)	(3 566)	(104)	–	(17 835)
Amortization for the current period	(2 356)	(459)	(3 719)	(127)	–	(6 661)
Sale and scrapping	88	–	820	–	–	908
Net foreign exchange differences	(102)	(162)	(175)	(12)	–	(451)
Accumulated amortization as at 31 December 2020	(11 685)	(5 471)	(6 640)	(243)	–	(24 039)
Net book value as at 1 January 2020	1 664	1 604	9 523	230	117	13 138
Net book value as at 31 December 2020	3 161	1 578	6 845	118	23	11 725



Non-current assets by geographical area

(IN PLN'000)	31.12.2021	31.12.2020
Non-current assets		
Central and Eastern Europe	8 895	7 712
- including Poland	8 132	6 574
Western Europe	4 117	4 490
Total non-current assets	13 012	12 202

21. Amounts due to customers

(IN PLN'000)	31.12.2021	31.12.2020
Amounts due to retail customers	1 815 098	1 051 609
Amounts due to institutional customers	64 093	52 643
Total amounts due to customers	1 879 191	1 104 252

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

22. Financial liabilities held for trading

(IN PLN'000)	31.12.2021	31.12.2020
Stock and ETF CFDs	33 170	25 578
Index CFDs	28 777	24 053
Currency CFDs	20 356	8 625
Commodity CFDs	12 134	15 139
Bond CFDs	32	3
Total financial liabilities held for trading	94 469	73 398

23. Other liabilities

(IN PLN'000)	31.12.2021	31.12.2020
Trade liabilities	19 715	18 894
Provisions for other employee benefits	17 034	22 722
Liabilities due to brokers	3 692	6 842
Statutory liabilities	3 259	3 833
Liabilities due to employees	524	414
Amounts due to the Central Securities Depository of Poland	205	178
Total other liabilities	44 429	52 883

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.

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 annually receive variable remuneration paid in cash and in financial instruments.

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

As at 31 December 2021, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 3 013 thousand and as at 31 December 2020 in the amount of PLN 3 951 thousand.



24. Liabilities due to lease

(IN PLN'000)	31.12.2021	31.12.2020
Short- term	1 611	4 094
Long- term	2 771	3 450
Total liabilities due to lease	4 382	7 544

Liabilities due to lease do not include short-term leasing contracts and lease of low-value assets. In the period from 1 January to 31 December 2021 the cost related to short-term leasing included in the statement of comprehensive income amounted to PLN 136 thousand, in 2020 the cost related to lease of low-value assets included in the statement of comprehensive income amounted to PLN 134 thousand.

In the period from 1 January to 31 December 2020 the cost related to short-term leasing included in the statement of comprehensive income amounted to PLN 58 thousand, the cost related to lease of low-value assets included in the statement of comprehensive income amounted to PLN 177 thousand.

25. Provisions for liabilities and contingent liabilities

25.1 Provisions for liabilities

(IN PLN'000)	31.12.2021	31.12.2020
Provisions for retirement benefits	150	196
Provisions for legal risk	4 515	4 715
Total provisions	4 665	4 911

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 financial statements, the Company is not able to specify when the above liabilities will be repaid. The information on the significant court proceedings, arbitration authority or public administration authority was described in point 5.2 of the Management Board report on the operations of the Group and Company. To the best of our knowledge and belief, the proceedings described therein and the future resolution of these proceedings in the context of a possible impact on other clients of the Company have no material impact on these financial statements

Movements in provisions in the period from 1 January 2021 to 31 December 2021

(IN PLN'000)	VALUE AS AT 01.01.2021	INCREASES	DECREASES		VALUE AS AT 31.12.2021
			USE	REVERSAL	
Provisions for retirement benefits	196	–	–	46	150
Provisions for legal risk	4 715	141	–	341	4 515
Total provisions	4 911	141	–	387	4 665

Movements in provisions in the period from 1 January 2020 to 31 December 2020

(IN PLN'000)	VALUE AS AT 01.01.2020	INCREASES	DECREASES		VALUE AS AT 31.12.2020
			USE	REVERSAL	
Provisions for retirement benefits	126	70	–	–	196
Provisions for legal risk	1 326	3 481	28	64	4 715
Total provisions	1 452	3 551	28	64	4 911



25.2 Contingent liabilities

The Company is 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 31 December 2021 the total value of claims brought against the Company amounted to approx. PLN 15 693 thousand (as at 31 December 2020: PLN 14 801 thousand). 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 PLN 61 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

On 7 July 2017 the Company issued a guarantee in the amount of PLN 6 033 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension. The agreement has been extended for an unlimited period with the possibility of termination.

26. Equity

Share capital structure as at 31 December 2021 and 31 December 2020

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 31 December 2021 and 31 December 2020 was as follows:

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

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital, 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 598 651 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 1 450 thousand



(IN PLN'000)	31.12.2021	31.12.2020
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	777	795
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	283	287
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	258	275
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	47	701
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	20	463
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	8	136
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	2	81
XTB Spółka Akcyjna	55	–
Total foreign exchange differences on translation	1 450	2 738

27. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2020 in the amount of PLN 418 176 thousand was partially earmarked for the payment of a dividend in the amount of PLN 210 117 thousand, the remaining amount was transferred to reserve capital.

The amount of dividend per share paid for 2020 was equal to PLN 1,79. The dividend was paid on the 30 April 2021.

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

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

28. 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)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Profit from continuing operations attributable to shareholders of the Company	234 841	418 176
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	–
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	2,00	3,56
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	2,00	3,56

29. Current income tax and deferred tax

29.1 Income tax

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

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Income tax – current portion		
Income tax for the reporting period	(42 363)	(89 390)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(9 447)	(6 671)
Income tax disclosed in profit and loss	(51 810)	(96 061)



Reconciliation of the actual tax burden

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Profit before tax	286 651	514 237
Income tax based in the applicable tax rate of 19%	(54 464)	(97 705)
Difference resulting from application of tax rates applicable in other countries	(177)	(176)
Non-taxable revenue	666	583
Non-deductible expenses	(959)	(806)
Realisation of tax losses for the preceding periods	26	44
Other items affecting the tax burden amount	3 098	1 999
Income tax disclosed in profit or loss	(51 810)	(96 061)

On the basis of art 18d of Act on corporate income tax dated 15 February 1992 with further amendments the Company benefited in 2021 from the tax burden for research and development in total amounted to PLN 4 510 thousands. In 2020 from the tax burden for research and development in total amounted to PLN 3 274 thousands.

29.2 Deferred income tax

29.2.1 Unrecognized deferred income tax asset

Deferred income tax was not disclosed with respect to the items below:

(IN PLN'000)	31.12.2021	31.12.2020
Tax loss	484	513

Taking into account the risks connected with further business development in foreign markets, the Company's management has doubts relative to certain tax credits of foreign operations and whether their respective profits will make it possible to settle the tax losses. Therefore, no deferred tax assets connected with such tax loss in the amount of PLN 484 thousand as at 31 December 2021 and in the amount of PLN 513 thousand as at 31 December 2020.

The company did not recognize deferred tax assets on tax loss arising in France.

UNRECOGNIZED TAX LOSSES AVAILABLE FOR USE (IN PLN'000)	31.12.2021	31.12.2020
until the end of 2021	–	23
until the end of 2023	–	4
no limit	484	486
Total unrecognized tax losses available for use	484	513

29.2.2 Recognized deferred tax asset relating to tax losses

Balance of deferred tax asset relating to tax losses

RECOGNIZED TAX LOSSES TO BE UTILIZED (IN PLN'000)	31.12.2021	31.12.2020
Deferred tax on tax losses	6 651	7 348

As at 31 December 2021 the Company established deferred tax assets with regard to tax losses to be settled in future periods in the total amount of PLN 6 651 thousand (as at 31 December 2020: PLN 7 111 thousand). The management believes that due to dynamic development of business and growth of sales in foreign markets, the Company may generate taxable income in future periods, and tax losses will be settled accordingly.



Deferred tax losses may be utilised over an unlimited period in France. Forecasted results of these branches, their margins and development plans assume an effective settlement of losses in the future.

29.2.3 Deferred income tax assets and deferred income tax provision

Change in the balance of deferred tax for the period from 1 January to 31 December 2021

(IN PLN'000)	AS AT 01.01.2021	PROFIT OR (LOSS)	AS AT 31.12.2021
Deferred income tax assets:			
Cash and cash equivalents	–	23	23
Property, plant and equipment	138	(114)	24
Financial liabilities held for trading	14 196	4 773	18 969
Provisions for liabilities	670	(245)	425
Prepayments and deferred costs	3 103	(582)	2 521
Other liabilities	3 002	3 907	6 909
Tax losses of previous periods to be settled in future periods	7 348	(697)	6 651
Total deferred income tax assets	28 457	7 065	35 522

(IN PLN'000)	AS AT 01.01.2021	PROFIT OR (LOSS)	AS AT 31.12.2021
Deferred income tax provision:			
Cash and cash equivalents	15	10	25
Financial assets at fair value through P&L	43 227	16 022	59 249
Financial assets at amortised cost	–	326	326
Other liabilities	145	(145)	–
Property, plant and equipment	–	299	299
Total deferred income tax provision	43 387	16 512	59 899
Deferred tax disclosed in profit or (loss)	–	(9 447)	–

(IN PLN'000)	AS AT 01.01.2021	INCLUDED IN EQUITY	AS AT 31.12.2021
Deferred income tax provision included directly in the equity:			
Separate equity of branches	718	(44)	674
Total deferred income tax provision included directly in the equity	718	(44)	674

Change in the balance of deferred tax for the period from 1 January to 31 December 2020

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 31.12.2020
Deferred income tax assets:			
Property, plant and equipment	81	57	138
Financial liabilities held for trading	3 809	10 387	14 196
Provisions for liabilities	24	646	670
Prepayments and deferred costs	1 304	1 799	3 103
Other liabilities	1 829	1 173	3 002
Tax losses of previous periods to be settled in future periods	7 111	237	7 348
Total deferred income tax assets	14 158	14 299	28 457



(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 31.12.2020
Deferred income tax provision:			
Cash and cash equivalents	–	15	15
Financial assets at fair value through P&L	22 324	20 903	43 227
Other liabilities	93	52	145
Total deferred income tax provision	22 417	20 970	43 387
Deferred tax disclosed in profit or (loss)	–	(6 671)	–

(IN PLN'000)	AS AT 01.01.2020	INCLUDED IN EQUITY	AS AT 31.12.2020
Deferred income tax provision included directly in the equity:			
Separate equity of branches	113	605	718
Total deferred income tax provision included directly in the equity	113	605	718

Geographical division of deferred income tax assets

(IN PLN'000)	31.12.2021	31.12.2020
Deferred income tax assets		
Central and Eastern Europe	152	153
Western Europe	6 668	7 365
Total deferred income tax assets	6 820	7 518

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2021:

(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	28 676	60 547	–	31 871
Czech Republic	80	20	60	–
Slovakia	99	6	93	–
Germany	2 566	–	2 566	–
France	4 101	–	4 101	–
Total	35 522	60 573	6 820	31 871

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2020:

(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	20 923	44 089	–	23 166
Czech Republic	67	–	67	–
Slovakia	102	16	86	–
Germany	2 718	–	2 718	–
France	4 647	–	4 647	–
Total	28 457	44 105	7 518	23 166



30. Related party transactions

30.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 31 December 2021 it holds 66,99% 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 Company and XXZW Investment Group S.A.

30.2 Figures concerning related party transactions

As at 31 December 2021 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 19 thousand due to his investment account (as at 31 December 2020 PLN 14 thousand). In the period from 1 January to 31 December 2021 the Company noted loss from transactions with Mr Jakub Zabłocki in amount of PLN 2 thousand (in the analogical period of 2020 loss from transactions with Mr Jakub Zabłocki in amount of PLN 4 thousand). Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 31 December 2021 the paid gross salary and bonuses amounted to PLN 2 505 thousand and in the analogical period of 2020 amounted to PLN 1 393 thousand.

Mr Hubert Walentynowicz receives salary on the basis of work contract. In the period from 1 January to 31 December 2021 the paid gross salary and bonuses amounted to PLN 487 thousand and in the analogical period of 2020 amounted to PLN 458 thousand.

In the period from 1 January to 31 December 2021 the Company noted no transactions with Mr Paweł Szejko (in the analogical period of 2020 noted loss from transactions with Mr Paweł Szejko in the amount of PLN 2 thousand). As at 31 December 2021 the Company has liabilities to Mr Paweł Szejko in the amount of PLN 7 thousand due to his investment account

In the period from 1 January to 31 December 2021 the Company noted no transactions with Mr Filip Kaczmarzyk in the amount of PLN 2 thousand (in the analogical period of 2020 noted profit from transactions with Mr Filip Kaczmarzyk in the amount of PLN 433,16). As at 31 December 2021 the Company has liabilities to Mr Filip Kaczmarzyk in the amount of PLN 79 thousand due to his investment account (as at 31 December 2020 PLN 42 thousand).

30.3 Incomes and costs

The below table presents incomes and costs with related parties regarding the intermediary and liquidity agreements performed for the Company

(IN PLN'000)	2021		2020	
	INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	12 809	(15 974)	40 875	(16 188)
XTB Limited (CY)	4 872	(3 175)	8 771	(2 763)
XTB MENA Limited	5 594	(7 134)	-	-
XTB International Limited	153 711	(58 973)	96 227	(37 217)

The below table presents incomes and costs with related parties regarding the trading infrastructure software and service agreements performed for the Company.

(IN PLN'000)		2021		2020	
		INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	infrastructure software	536	(892)	208	(1 098)
X Open Hub Sp. z o.o.	infrastructure software	1 858	(1 947)	2 068	(1 992)
XTB Services Limited	marketing	-	(36 459)	-	(30 925)

30.4 Receivables

The below table presents receivables from related parties regarding the intermediary and liquidity agreements performed for the Company.



(IN PLN'000)	31.12.2021	31.12.2020
XTB Limited (UK)	9 745	11 087
XTB Limited (CY)	–	97
XTB MENA Limited	5 545	–
XTB International Limited	8 628	1 388

The below table presents receivables from related parties regarding the trading infrastructure software and service agreements performed for the Company

(IN PLN'000)	31.12.2021	31.12.2020
XTB Limited (UK)	84	8
X Open Hub Sp. z o.o.	261	292

30.5 Liabilities

The below table presents liabilities due to related parties regarding the intermediary and liquidity agreements performed for the Company.

(IN PLN'000)	31.12.2021	31.12.2020
XTB Limited (UK)	11 600	5 055
XTB Limited (CY)	2 200	1 456
XTB MENA Limited	748	–
XTB International Limited	38 237	7 415

The below table presents liabilities due to related parties regarding the trading infrastructure software and service agreements performed for the Company.

(IN PLN'000)	31.12.2021	31.12.2020
XTB Limited (UK)	8	103
X Open Hub Sp. z o.o.	–	323
XTB Services Limited	2 390	1 763

30.6 Benefits to Management Board and Supervisory Board

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Benefits to the Management Board members	(3 741)	(5 098)
Benefits to the Supervisory Board members	(223)	(222)
Total benefits to the Management Board and Supervisory Board	(3 964)	(5 320)

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 23 of the financial statements.

30.7 Loans granted to the Management and Supervisory Board members

As at 31 December 2021 and 31 December 2020 there are no loans granted to the Management and Supervisory Board members.



31. Remuneration of the audit companies

REMUNERATION OF THE AUDIT COMPANIES DUE FOR THE FINANCIAL YEAR (IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Statutory audit of standalone and consolidated financial statements	425	400
Review of half-year standalone and consolidated financial statements	120	120
Statutory audit of annual financial statements of branch offices	66	64
Other certifying services	50	50
Total remuneration of the audit companies	661	634

Above remuneration due to audit companies are net amounts.

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k was the main auditor for the Company in 2021 and 2020. In 2021 total remuneration due to PwC amounted to PLN 595 thousand (in 2020: PLN 570 thousand), including 45 thousand PLN relates to other attestation services and 120 thousand semi-annual financial reviews.

32. Employment

The average number of employees in the Company was 487 persons in 2021 and 419 persons in 2020.

33. Supplementary information and explanations to the cash flow statement

33.1 Other adjustments

The "other adjustments" item includes the following adjustments

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Change in the balance of differences from the conversion of branches and subsidiaries	(1 288)	1 712
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(10)	(374)
Change in other adjustments	(1 298)	1 338

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.

34. Post balance sheet events

On January 1, 2022, the address of the registered office of XTB S.A. from Ogrodowa street 58, 00-876 Warsaw at Prosta street 67, 00-838 Warsaw.

On January 12, 2022, the Management Board of XTB S.A. received the decision of the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register on the registration of amendments to the Articles of Association of the Company on January 5, 2022 made by Resolution No. 9 of the Extraordinary General Meeting of the Issuer of November 19, 2021 on amendments to the Articles of Association, pursuant to which the name of the entity was changed.

On February 24, 2022, Russian troops crossed the eastern, southern and northern borders of Ukraine, attacking Ukraine's military infrastructure. In connection with the hostilities of Russia, the representatives of the European Union imposed sanctions which were severe on Russia, which mainly concern strategic sectors of the Russian economy by blocking access to technology and markets. This situation does not have a direct impact on the Company, however it has caused high volatility in financial markets and declines in financial and commodity exchanges around the world.



35. Off-balance sheet items

35.1 Nominal value of financial instruments

(IN PLN'000)	31.12.2021	31.12.2020
Index CFDs	3 488 965	3 937 302
Currency CFDs	2 550 040	1 451 853
Commodity CFDs	1 577 792	1 108 519
Stock and ETF CFDs	908 023	875 122
Bond CFDs	3 813	384 593
Total financial instruments	8 528 633	7 757 389

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 31 December 2021 transactions with brokers represent 9% of the total nominal value of instruments (as at 31 December 2020: 15% of the total nominal value of instruments).

35.2 Customers' financial instruments

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

(IN PLN'000)	31.12.2021	31.12.2020
Listed stocks, ETFs and rights to stocks registered in customers' securities accounts	2 452 113	871 389
Other securities registered in customers' securities accounts	207	207
Total customers' financial instruments	2 452 320	871 596

35.3 Transaction limits

The amount of unused transaction limits granted to related entities was as at 31 December 2021 PLN 96 894 thousand and as at 31 December 2020 was PLN 61 956 thousand.

36. Items regarding the compensation scheme

(IN PLN'000)	31.12.2021	31.12.2020
1. Contributions made to the compensation scheme		
a) opening balance	5 654	4 709
- increases	1 758	945
b) closing balance	7 412	5 654
2. XTB's share in the profits from the compensation scheme	372	336

37. Capital management

The Company's principles of capital management are established in the "Capital management policy in XTB 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 XTB 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:
 - till 25th June 2021 calculated in accordance with the Regulation (EU) of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on the prudential requirements for credit institutions and investment firms (CRR) and
 - since 26th June 2021 calculated according with Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27th November 2019 on the prudential requirements of investment firms and amending the regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014, (EU) No 806/2014 (IFR)
- internal capital estimated in compliance with the Ordinance of the Minister of Finance of 25 April 2017 on internal capital, risk management system, supervisory assessment program and supervisory examination and evaluation as well as remuneration policy in a brokerage house (Journal of Laws 2017, item 856).

The capital requirement calculated in accordance with the IFR regulation is the higher of:

- fixed overheads requirement
- permanent minimum initial capital requirement
- K-factor capital requirement

At date of preparation of the financial statement the highest of the above values for the Company is the K-factor capital requirement.

Till 25th June 2021 the Company calculated own funds in accordance to second part of the European Parliament and of the Council (EU) No 575/2013 of 26th 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 ("CRR"). Starting from 26th June 2021 the Company calculate own funds according to the second part of Regulation (EU) 2019/2033 of the European Parliament and of the Council 2019/2033 of 27th November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 ("IFR").

The principles of calculation of own funds are established in the CRR resolution, "The procedure for calculating capital adequacy ratios in XTB S.A." and are not regulated by IFRS.

The Company currently has only own funds of the best category - Tier I.

Pursuant to the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management, from 1st Jan 2016 the Company was obliged to hold capital buffers requirement. In the period covered by this financial statement the Company was obliged to hold a capital conservation buffer and a countercyclical capital buffer. Due to entry into force of IFR from 26th June 2021 the capital buffers requirement ceased to exist for the Company.



Key values in capital management:

(IN PLN'000)	31.12.2021	31.12.2020
Own funds	661 876	534 031
Tier I Capital	661 876	534 031
Common Equity Tier I capital	661 876	534 031
Total risk exposure *	3 912 043	2 689 969
Total capital requirement*	312 963	215 194
Capital conservation buffer	-	67 249
Countercyclical capital buffer	-	7 402
Combined buffer requirement CRR**	-	74 651
Total capital ratio CRR**	16,9%	19,9%
Total capital ratio CRR ** including buffers	16,9%	17,1%
Minimal required total capital ratio including buffers (article 92 section1 letter c) of CRR)	8%	8%
Total capital ratio IFR***	211,5%	213,5%
Minimal required total capital ratio including buffers (article 9 section1 letter c) of IFR)***	100%	100%

* For comparativeness in the period from 26th June 2021 total risk exposure is presented as 12.5 * K-factor capital requirement. Till 25th June 2021 total capital requirement is presented as 8% of total risk exposure.

** For comparativeness in the period from 26th June 2021 total capital ratio CRR is calculated as the IFR capital requirement divided by 12.5.

*** For comparativeness in the period till 25th June 2021 total capital ratio IFR is calculated as total capital ratio CRR including buffers multiplied by 12.5.

The mandatory capital adequacy was not breached in the periods covered by the 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 31.12.2021	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2020
1. Capital/Own funds	661 876	578 750	534 031
1.1. Base capital/Common Equity Tier I without deductions	675 665	639 676	545 606
1.2. Additional items of common equity/Supplementary capital Tier I	-	-	-
1.3. Items decreasing share capitals	(13 789)	(60 926)	(11 575)
I. Level of capitals subject to monitoring/Own funds	661 876	578 750	534 031
1. Market risk	-	241 043	120 769
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	-	13 807	11 382
3. Credit risk	-	60 346	47 601
4. Operating risk	-	55 855	35 445
5. Exceeding the limit of exposure concentration and the limit of high exposures	-	-	-
6. Capital requirement due to fixed overheads CRR	not applicable	not applicable	not applicable
Ila. Overall capital requirement **	312 963	371 051	215 197
Ilb. Total risk exposure CRR**	3 912 043	4 638 143	2 689 969
Capital conservation buffer	-	104 512	67 249
Countercyclical capital buffer	-	11 399	7 402
Combined buffer requirement	-	115 911	74 651
1. Risk to Client, including:	7 346	6 159	-
1.1. K-AUM	-	-	-
1.2. K-CMH	6 431	5 443	-
1.3. K-ASA	862	648	-
1.4. K-COH	52	68	-
2. Risk to Market, including:	193 001	241 043	-
2.1. K-NPR	193 001	241 043	-
2.2. K-CMG	-	-	-
3. Risk to Firm, including:	112 616	128 286	-
3.1. K-TCD	110 766	126 699	-
3.2. K-DTF	1 850	1 587	-
3.3. K-CON	-	-	-
III. Total K-factor capital requirement (IFR)	312 963	375 488	-

*Average monthly values in the period in part II is calculated based on values till 25th June 2021. In part III average monthly values in the period is calculated based on values since 26th June 2021. Averages for market risk requirement, which is equivalent to K-NPR requirement, is calculated based on data from whole period covered by this financial statement.

** For comparativeness in the period from 26th June 2021 total risk exposure is presented as 12.5 * K-factor capital requirement. Till 25th June 2021 total capital requirement is presented as 8% of total risk exposure.



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

According to IFR from 26th June 2021 the Company calculates the requirement for fixed overheads. However, it is significantly lower than the K-factor capital requirement.

38. Risk management

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. Its key tasks include performing supervisory, consultative and advisory functions for the Company's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Company's capital adequacy.

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

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

The Company's Supervisory Board approves risk management system.

38.1 Fair value

38.1.1 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

38.1.2 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)	31.12.2021			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
Financial assets				
Financial assets at fair value through P&L	353 360	310 365	–	663 725
Total financial assets	353 360	310 365	–	663 725
Financial liabilities				
Financial liabilities held for trading	–	94 469	–	94 469
Total financial liabilities	–	94 469	–	94 469



(IN PLN'000)	31.12.2020			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
Financial assets				
Financial assets at fair value through P&L	407 751	225 009	–	632 760
Total financial assets	407 751	225 009	–	632 760
Financial liabilities				
Financial liabilities held for trading	–	73 398	–	73 398
Total financial liabilities	–	73 398	–	73 398

In the periods covered by the 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.

38.2 Market risk

In the period covered by these 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:

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.

38.2.1 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 which price is 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 31 December 2021

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN							TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES		
Assets									
Cash and cash equivalents	461 030	763 478	13 190	207 735	6 006	22 838	3 526	1 477 803	2 185 986
Financial assets held for trading	61 732	106 839	3 619	41 993	1 260	3 756	6 735	225 934	663 725
Investments in subsidiaries	-	-	-	-	-	-	-	-	39 879
Income tax receivables	-	72	-	-	-	-	-	72	7 247
Financial assets at amortised cost	18 607	8 088	1 829	1 640	2 230	562	1 077	34 033	47 796
Prepayments and deferred costs	-	1 132	-	126	-	10	-	1 268	7 093
Intangible assets	-	-	-	30	-	1	-	31	450
Property, plant and equipment	-	4 165	-	626	-	60	-	4 851	12 562
Deferred income tax assets	-	6 760	-	60	-	-	-	6 820	6 820
Total assets	541 369	890 534	18 638	252 210	9 496	27 227	11 338	1 750 812	2 971 558
Liabilities									
Amounts due to customers	182 146	740 508	9 627	226 312	3 950	23 019	3 507	1 189 069	1 879 191
Financial liabilities held for trading	38 768	22 426	790	9 361	143	854	1 931	74 273	94 469
Income tax liabilities	-	132	-	-	-	-	-	132	132
Lease liabilities	-	4 361	-	21	-	-	-	4 382	4 382
Other liabilities	6 907	12 944	3 327	1 750	-	471	36	25 435	44 429
Provisions for liabilities	-	1 380	-	-	-	-	-	1 380	4 665
Deferred income tax provision	-	-	-	-	-	-	-	-	31 871
Total liabilities	227 821	781 751	13 744	237 444	4 093	24 344	5 474	1 294 671	2 059 139



Assets and liabilities denominated in foreign currencies as at 31 December 2020

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN							TOTAL	CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES		
Assets									
Cash and cash equivalents	255 179	521 357	13 478	140 083	3 778	17 971	1 684	953 530	1 436 232
Financial assets held for trading	28 894	91 536	2 527	26 356	1 205	3 093	8 341	161 952	632 760
Investments in subsidiaries	-	-	-	-	-	-	-	-	35 890
Income tax receivables	-	-	-	-	-	-	-	-	2 584
Financial assets at amortised cost	8 206	8 477	1 365	401	2 241	554	638	21 882	23 564
Prepayments and deferred costs	-	273	-	88	-	15	-	376	4 881
Intangible assets	-	1	-	58	-	1	-	60	477
Property, plant and equipment	-	4 633	-	883	-	52	-	5 568	11 725
Deferred income tax assets	-	7 451	-	67	-	-	-	7 518	7 518
Total assets	292 279	633 728	17 370	167 936	7 224	21 686	10 663	1 150 886	2 155 631
Liabilities									
Amounts due to customers	75 174	470 467	3 863	126 293	3 870	15 900	1 881	697 448	1 104 252
Financial liabilities held for trading	14 817	26 439	1 085	8 327	140	765	1 812	53 385	73 398
Income tax liabilities	-	494	-	-	-	-	-	494	494
Lease liabilities	-	7 468	-	63	-	-	-	7 531	7 544
Other liabilities	8 690	15 848	3 474	1 977	-	465	115	30 569	52 883
Provisions for liabilities	-	-	-	-	-	-	-	-	4 911
Deferred income tax provision	-	-	-	-	-	-	-	-	23 166
Total liabilities	98 681	520 716	8 422	136 660	4 010	17 130	3 808	789 427	1 266 648



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)	TWELVE-MONTH PERIOD ENDED			
	31.12.2021		31.12.2020	
	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	35 438	(35 438)	21 038	(21 038)
Equity, of which:	703	(703)	1 291	(1 291)
Foreign exchange differences on translation	703	(703)	1 291	(1 291)

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

38.2.2 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. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is 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)	31.12.2021	31.12.2020
Financial assets		
Cash and cash equivalents	2 185 986	1 436 232
Debt instruments	331 926	398 616
Total financial assets	2 517 912	1 834 848
Financial liabilities		
Other liabilities	4 382	7 544
Total financial liabilities	4 382	7 544

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 2021 and 2020, using the average 1M interest rate in a given market.



(IN PLN'000)	TWELVE-MONTH PERIOD ENDED			
	31.12.2021		31.12.2020	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	2 762	(2 762)	6 230	(6 230)

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

In the period covered by these condensed consolidated financial statements and in the comparative period, the Company hold financial assets which fair value would be exposed to the risk of changes in interest rates as a Treasury bonds. Sensitivity analysis exposed to interest rate risk by 50 base points (BP) - shift of yield curves- on profit before tax is presented below.

(IN PLN'000)	TWELVE -MONTH PERIOD ENDED			
	31.12.2021		31.12.2020	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	(971)	978	(4 737)	4 875

38.2.3 Other price risk

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

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

(IN PLN'000)	31.12.2021	31.12.2020
Financial assets at fair value through P&L		
Commodity		
Precious metals	26 010	8 766
Base metals	847	470
Other	32 171	27 822
Total commodity	59 028	37 057
Equity instruments		
Stocks and ETF	87 548	40 412
Indicies	105 127	120 751
Total equity instruments	192 675	161 163
Debt instruments	18	12
Total financial assets at fair value through P&L	251 721	198 232
Financial liabilities held for trading		
Commodity		
Precious metals	5 882	6 927
Base metals	363	95
Other	5 890	8 124
Total commodity	12 135	15 146
Equity instruments		
Stocks and ETF	33 173	25 570
Indicies	28 906	24 057
Total equity instruments	62 079	49 627
Debt instruments	32	3
Total financial liabilities held for trading	74 246	64 776

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



(IN PLN'000)	TWELVE-MONTH PERIOD ENDED			
	31.12.2021		31.12.2020	
	INCREASE BY 5 %	DECREASE BY 5 %	INCREASE BY 5 %	DECREASE BY 5 %
Income/(expenses) for the period				
Commodity				
Precious metals	(18 761)	18 761	(5 508)	5 508
Base metals	(32)	32	(202)	202
Other	(2 150)	2 150	7 555	(7 555)
Total commodity	(20 943)	20 943	1 845	(1 845)
Equity instruments				
Stocks and ETFs	73	(73)	17	(17)
Indicies	12 604	(12 604)	10 124	(10 124)
Total equity instruments	12 677	(12 677)	10 140	(10 140)
Debt instruments	71	(71)	(45)	45
Total income/(expenses) for the period	(8 195)	8 195	11 940	(11 940)

38.3 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 XTB 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 of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action.

Where the upper limit is achieved, the 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 Risk Control Department. Risk Control Department employees are required to analyse liquidity at least once a week, as well as to transfer the relevant information to the 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.

According to IFR from 26th June 2021 the Company holds the amount of liquid assets equivalent to at least one third of the fixed overhead requirement. For the purpose of this requirement the Company recognized as the liquid assets inter alia unencumbered short-term own deposits at credit institutions and denominated in PLN investments in Polish Government Treasury bonds and bonds with a guarantee by the Polish Government Treasury. At date of preparation of the financial statement the Company holds over a dozen times higher level of liquid assets than required by IFR.



Contractual payment periods of financial assets and liabilities as at 31 December 2021

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	2 185 986	2 185 986	2 185 986	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETF	21 434	21 434	21 434	–	–	–	–
Bonds	331 926	331 926	331 926	–	–	–	–
CFDs	310 365	310 365	310 365	–	–	–	–
Total financial assets at fair value through P&L	663 725	663 725	663 725	–	–	–	–
Investments in subsidiaries	39 879	39 879	–	–	–	–	39 879
Financial assets at amortised cost	47 796	47 796	44 193	–	3 603	–	–
Total financial assets	2 937 386	2 937 386	2 893 904	–	3 603	–	39 879
Financial liabilities							
Amounts due to customers	1 879 191	1 879 191	1 879 191	–	–	–	–
Financial liabilities held for trading							
CFDs	94 469	94 469	94 469	–	–	–	–
Total financial liabilities held for trading	94 469	94 469	94 469	–	–	–	–
Lease liabilities	4 382	4 382	454	1 158	2 770	–	–
Other liabilities	44 429	44 429	27 191	12 250	–	–	4 988
Total financial liabilities	2 022 471	2 022 471	2 001 305	13 408	2 770	–	4 988
Contractual liquidity gap in maturities (payment dates)			892 599	(13 408)	833	–	34 891
Contractual cumulative liquidity gap			892 599	879 191	880 024	880 024	914 915



Contractual payment periods of financial assets and liabilities as at 31 December 2020

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	1 436 232	1 436 232	1 436 232	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETF	9 136	9 136	9 136	–	–	–	–
Bonds	398 616	398 616	398 616	–	–	–	–
CFDs	225 008	225 008	225 008	–	–	–	–
Total financial assets at fair value through P&L	632 760	632 760	632 760	–	–	–	–
Investments in subsidiaries	35 890	35 890	–	–	–	–	35 890
Financial assets at amortised cost	23 564	23 564	21 573	–	1 991	–	–
Total financial assets	2 128 446	2 128 446	2 090 565	–	1 991	–	35 890
Financial liabilities							
Amounts due to customers	1 104 252	1 104 252	1 104 252	–	–	–	–
Financial liabilities held for trading							
CFDs	73 398	73 398	73 398	–	–	–	–
Total financial liabilities held for trading	73 398	73 398	73 398	–	–	–	–
Lease liabilities	7 544	7 544	1 098	2 995	2 974	477	–
Other liabilities	52 883	52 883	29 983	19 705	–	–	3 195
Total financial liabilities	1 238 077	1 238 077	1 208 731	22 700	2 974	477	3 195
Contractual liquidity gap in maturities (payment dates)			881 834	(22 700)	(983)	(477)	32 695
Contractual cumulative liquidity gap			881 834	859 134	858 151	857 674	890 369

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



38.4 Credit risk

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

(IN PLN'000)	31.12.2021		31.12.2020	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets				
Cash and cash equivalents	2 185 986	2 185 986	1 436 232	1 436 232
Financial assets at fair value through P&L *	663 725	35 558	632 760	30 603
Investments in subsidiaries	39 879	39 879	35 890	35 890
Financial assets at amortised cost	47 796	47 796	23 564	23 564
Total financial assets	2 937 386	2 309 219	2 128 446	1 526 289

* As at 31 December 2021 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 35 558 thousand (2020: PLN 30 603 thousand). This exposure was collateralised with customers' cash, which, as at 31 December 2021, covered the amount of PLN 274 807 thousand (2020: PLN 194 406 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 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 A-3
- Moody's – from P-1 to P-2

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and customers' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 31 December 2021, the Company had deposit accounts in 24 banks and institutions (2020: in 22 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period):

31.12.2021		31.12.2020	
ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)
Bank 1	617 157	Bank 1	395 339
Bank 2	326 417	Bank 2	217 016
Institution 1	313 432	Bank 3	149 940
Bank 3	279 383	Bank 4	110 339
Institution 2	123 257	Bank 5	91 259
Bank 4	104 403	Bank 6	80 292
Bank 5	88 179	Bank 7	58 939
Bank 6	73 255	Bank 8	54 327
Institution 3	67 669	Bank 9	53 925
Institution 4	59 801	Bank 10	49 917
Other	133 033	Other	174 939
Total	2 185 986	Total	1 436 232

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)	
	31.12.2021	31.12.2020
Cash and cash equivalent		
Step 1	1 894 543	1 293 916
Step 2	3 755	2 250
Step 3	287 688	140 066
Total	2 185 986	1 436 232

Financial assets at fair value through P&L

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

Credit risk involving financial assets at fair value through P&L is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the 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 50 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the 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 at fair value through P&L 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):

31.12.2021		31.12.2020	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	12 206	Entity 1	10 163
Entity 2	10 509	Entity 2	8 542
Entity 3	8 837	Entity 3	4 665
Entity 4	1 242	Entity 4	747
Entity 5	992	Entity 5	685
Entity 6	435	Entity 6	604
Entity 7	344	Entity 7	566
Entity 8	161	Entity 8	528
Entity 9	106	Entity 9	258
Entity 10	97	Entity 10	247
Total	34 929	Total	27 005

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 AND COMPANY





1. Basic information

1.1 Synthetic summary of data concerning the Company and the Capital Group for the year 2016-2021

		2021	2020	2019	2018	2017	2016	Change y/y ('21/'20)
Selected consolidated financial data								
Total operating income	mm PLN	625,6	797,8	239,3	288,3	273,8	250,6	(21,6)%
Net profit	mm PLN	237,8	402,1	57,7	101,5	93,0	77,7	(40,9)%
Balance sheet total	mm PLN	3 147,7	2 283,5	1 138,9	970,1	897,7	796,8	37,8%
Own cash + treasury bonds	mm PLN	921,3	940,8	499,3	468,0	367,1	290,7	(2,1)%
Equity	mm PLN	915,6	888,3	490,7	455,2	400,3	355,9	3,1%
Earnings per share (EPS) ¹⁾	PLN	2,0	3,4	0,5	0,9	0,8	0,7	(1,4)
The market value of the Company shares ²⁾	PLN	16,8	17,9	4,0	4,4	4,5	7,0	(1,1)
Aggregate capital adequacy ratio (IFR) ³⁾	%	200,1	200,1	165,8	238,5	133,7	204,1	0,0 p.p.
Selected separate financial data								
Total operating income	mm PLN	562,4	748,3	210,6	267,3	251,7	210,8	(24,8)%
Net profit	mm PLN	234,8	418,2	54,1	90,9	87,4	73,0	(43,8)%
Balance sheet total	mm PLN	2 971,6	2 155,6	1 083,9	928,0	853,4	775,4	37,9%
Own cash + treasury bonds	mm PLN	882,8	893,4	449,9	413,0	323,0	233,9	(1,2)%
Equity	mm PLN	912,4	889,0	497,3	463,2	412,8	364,3	2,6%
Earnings per share (EPS) ¹⁾	PLN	2,0	3,6	0,5	0,8	0,7	0,6	(1,6)
Standalone capital adequacy ratio (IFR) ³⁾	%	211,5	213,5	182,3	250,4	136,8	195,6	(2,0) p.p.
Selected Group indicators⁴⁾								
EBITDA	mm PLN	285,7	523,5	72,2	119,7	134,3	87,5	(45,4)%
EBITDA margin	%	45,7	65,6	30,2	41,5	49,1	34,9	(19,9) p.p.
Net profit margin	%	38,0	50,4	24,1	35,2	34,0	31,0	(12,4) p.p.
Return on equity – ROE	%	26,4	58,3	12,2	23,7	24,6	21,3	(31,9) p.p.
Return on assets – ROA	%	8,8	23,5	5,5	10,9	11,0	10,2	(14,7) p.p.
Selected operational data⁴⁾								
New clients	k	189,2	112,0	36,6	20,7	18,9	13,7	77,2
Clients in total	k	429,2	255,8	149,3	116,5	105,7	87,6	173,4
Average number of active clients	k	112,0	58,1	26,6	21,3	18,7	16,2	53,9
Net deposits	mm PLN	2 933,4	1 961,2	409,4	332,9	357,7	314,0	49,6%
Average operating income per active client	k PLN	5,6	13,7	9,0	13,5	14,7	15,5	(8,1)
Transaction volume in CFD instruments	mm lots	4 104,6	3 175,2	1 597,2	2 095,4	2 196,6	2 015,7	29,3%
Profitability per lot	PLN	152	251	150	138	125	124	(99)

¹⁾ Attributable to shareholders of the Parent Company.

²⁾ At the end of the period.

³⁾ For the comparability of the presentation in the period until June 25, 2021 the IFR capital ratio was calculated as the capital ratio CRR including buffers * 12.5.

⁴⁾ The definitions of the indicators and selected operational data contained in the table above are presented in section 3.2.5 Selected financial and operating ratios of the Group.



1.2 General information

The Parent Company in the Capital Group XTB S.A. (the „Group”, „Capital Group”) is XTB S.A. (hereinafter: the „Company” „Parent Entity”, „Parent Company”, „Brokerage”, „XTB”) with its headquarters located in Warsaw, at Prosta street 67, 00-838 Warsaw.

On January 1, 2022, the registered office of the Parent Company changed from Ogrodowa street 58, 00-876 Warsaw to the following address: Prosta street 67, 00-838 Warsaw. On January 5, 2022, in the District Court for the Capital City of Warsaw XII Commercial Division of the National Court Register, the change of the name of the company in the current wording “X-Trade Brokers Dom Maklerski Spółka Akcyjna” to “XTB Spółka Akcyjna” (hereinafter also referred to as “XTB S.A.”) was registered.

XTB 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 number 5272443955.

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.

Company's shares have been listed on the main market of the Warsaw Stock Exchange.

The foregoing Management Board report on the operations of the Group and Company for 2021 includes disclosure requirements for the report on the operations of the Company XTB S.A. pursuant to §71 item 8 of the ordinance of Minister of Finance dated 29 March, 2018 on current and periodic information published by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state.

The company prepared the Non-financial Statement of XTB S.A. Capital Group for 2021, which will be posted on the XTB website in accordance with Article 49b paragraph 9 and Article 55 paragraph 2c of the Accounting Act.



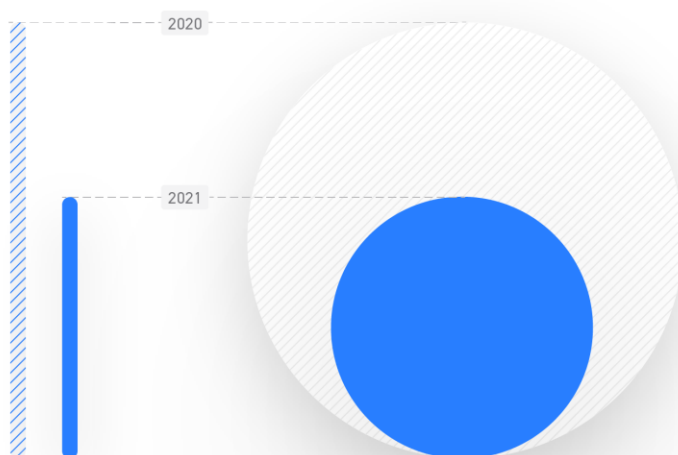
XTB KEY PERFORMANCE INDICATORS 2021



NET PROFIT

237.8 MM PLN

▼ -40.9% y/y



OPERATING INCOME

625.6 MM PLN

▼ -21.6% y/y



EBIT

276.9 MM PLN

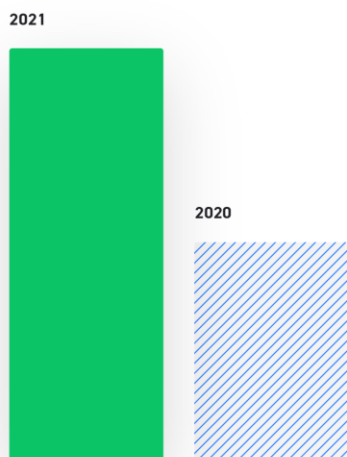
▼ -46.3% y/y



AVERAGE NUMBER OF ACTIVE CLIENTS

112 015

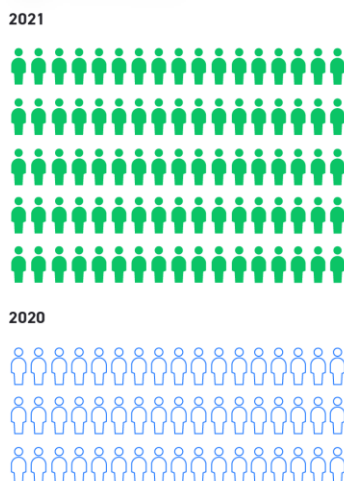
▲ +92.9% y/y



NEW CLIENTS

189 187

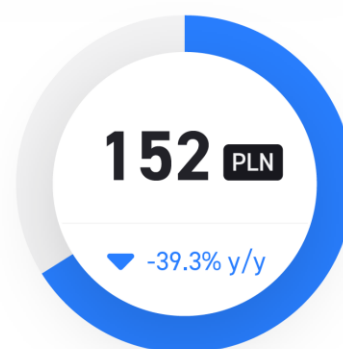
▲ +68.9% y/y



CFD PROFITABILITY PER LOT

152 PLN

▼ -39.3% y/y



CFD VOLUME

4 104 566

▲ +29.3% y/y





1.3 Significant selected events in 2021 and until the date of the report

Calendar

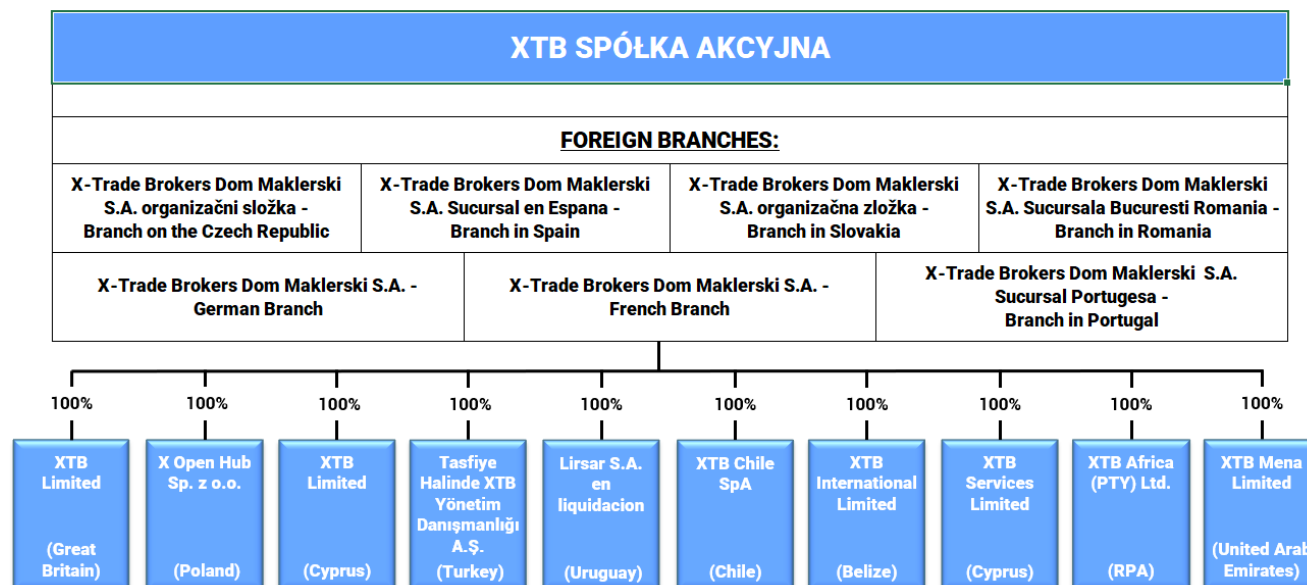
29 MARCH '21   XTB becomes the Company of the year from mWIG40 index in Parkiet Byki i Niedźwiedzie competition	12 APRIL '21  the Ordinary General Meeting of the Company
19 APRIL '21  Invest Cuffs 2021 - XTB wins 5 awards: Best Forex Broker, Best CFD Broker, Stock Exchange of the Year, Market Personality - President of XTB, Analyst of the Year - Chief Economist of the XTB	30 APRIL '21  the payment of the dividend in the amount of PLN 210,1 mm
8 JULY '21  XTB MENA Limited licenced to operate in the United Arab Emirates	10 AUGUST '21  XTB AFRICA (PTY) Limited licensed to operate in South Africa
20 OCTOBER '21  XTB joined the group of Signatories of the Diversity Charter	27 OCTOBER '21  the number of clients > 400,000
20 DECEMBER '21  transaction volume in CFD instruments in lots > 4 mm	22 DECEMBER '21  XTB adopts the ESG strategy
14 FEBRUARY '22  new ambassador of XTB brand - a titled martial arts competitor, the first Polish woman in the UFC organization and a champion in this organization, as well as a three-time world champion in Thai boxing - Joanna Jędrzejczyk	



1.4 Composition of the Group

As at 31 December 2021 the Group comprised Parent Company and 10 subsidiaries. The Company has 7 foreign branches.

The chart below presents the corporate structure of the Group as at 31 December 2021, including Company's subsidiaries and foreign branches, together with the share in the share capital/in the number of votes at the general meeting or the meeting of shareholders to which the shareholders is entitled.



All subsidiaries results are fully consolidated since the date of foundation/acquisition. In the reporting periods all subsidiaries have been subject to consolidation.

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

The company provides brokerage services based on the obtained permission issued by the FCA (Financial Conduct Authority), license no FRN 522157.

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

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

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

The company provides brokerage services based on the obtained permission issued by the CySEC (Cyprus Securities and Exchange Commission), license no 169/12. On May 3 2018, DUB Investments Limited changed its name to XTB Limited. On June 6 2018, the parent company acquired 1 165 shares in the increased share capital of the subsidiary, maintaining a 100% share in its capital.

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

In 2021 XTB Yönetim Danışmanlığı Anonim Şirketi did not conduct any operating activities. In the past the company business encompassed among others.:

- Investment consulting,
- Trading derivatives,
- Leverage trading on the forex market,
- Trading intermediation.



On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. As a result, the Management Board decided to terminate the activity on the Turkish market and liquidate the subsidiary in Turkey.

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

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

The remaining part of foreign exchange differences arising from the translation of the Turkish company's equity, which as at the end 2021 amounted to PLN (-) 3,7 million and is derived among other the exchange rate of Turkish lira, will be recognized in consolidated result at the date of liquidation of this company.

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

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

Lirsar S.A en liquidacion, Uruguay

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

XTB Chile SpA, Chile

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

XTB International Limited, Belize

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

XTB Services Limited, Cyprus

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

XTB Africa (PTY) Ltd., South Africa

On 10 July of 2018 the Parent Company established a subsidiary of XTB Africa (PTY) Ltd with its seat in South Africa. The company hold 100% shares in a subsidiary. On 14 October 2019 the Parent Company acquired 100 shares in the increased capital of the subsidiary, maintaining 100% share in its capital.

On August 10, 2021, XTB Africa (PTY) Ltd. received a license from the (ang. Financial Sector Conduct Authority) to operate in South Africa.

As at the date of publishing this report, the Company did not conduct any operating activities.



Fundacja XTB. Poland

On 23 December 2020 Fundacja XTB was registered in KRS (National Court Register).

The subject of foundation activity is:

- increase in entrepreneurship and innovation, in particular in the area of new technologies and the financial market,
- raising awareness and knowledge of economic, finance and new technologies,
- scientific and research activity and promotion of solutions developed as part of the activities of the XTB Capital Group.

XTB MENA Limited. United Arab Emirates

On January 9, 2021, the company XTB MENA Limited based in the United Arab Emirates was registered in the local register of entrepreneurs. The parent company acquired 100% of shares in the subsidiary. On April 13, 2021, the shares in XTB MENA Limited based in the United Arab Emirates (UAE) were paid for. The contributed capital amounted to USD 1 million.

On July 11, 2021, XTB MENA Limited received a notification from DFSA (Dubai Financial Services Authority) on granting the company a license to operate in the UAE with its effective date on July 8, 2021. The company provides brokerage services.

In the reporting period, i.e. from January 1 to December 31, 2021 and until the date of submission of this report, there were no changes in the structure of the XTB S.A. other than those described above.

1.5 Change in the Group's structure

In the reporting period, i.e. from 1 January to 31 December of 2021 and until the date of report submission there were no changes in the XTB S.A. Group's structure, than described in point 1.4 *Composition of the Group*.

1.6 Branches of the Parent Company

The Company has 7 foreign branches, listed below:

- 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 (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 under and was granted the following tax identification number PT980436613.

1.7 Organizational and capital ties

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. It holds, as at 31 December 2021, 66,99% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

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



Apart from the organization of the Group and the Parent Company described above, neither the Parent company nor any of the Group companies holds any shares in other undertakings which could materially impact the assessment of its assets and liabilities, financial condition and profits and losses.

1.8 Changes to the management principles of the Company and its Capital Group

In the reporting period there were no changes in the management principles of the Company and its Capital Group.

2. The activities and development of the Parent Company and its Capital Group

2.1 Products and services

The Group is an international provider of trading and investment products, services and solutions, specialising in OTC markets with a particular focus on CFDs, which are investment products with returns linked to the changes in the prices and values of underlying instruments and assets. The Group also offers investments in shares and ETF instruments on the same trading platform. The Group operates in two segments: retail and institutional segment. The Group's retail operations mainly include online trading of derivatives based on assets and underlying instruments that are traded on the financial and commodity markets. Institutional customers of the Group offers technologies thanks to which they can offer their clients the possibility of trading in financial instruments under their own brand. The Group also acts as a liquidity provider for institutional clients.

The Group offers two trading platforms to both retail clients and institutional clients:

- xStation and
- MetaTrader 4 (MT4) – the platform offered to new clients until 18 January 2021.

which are supported by the Group's advanced, proprietary technology infrastructure. The Group's retail clients are given access to one of the above-mentioned front-end trading platforms and to the range of its components, along with access to back-office systems. Institutional clients are granted full access to the set-up and management facilities, the branding system and the risk management tools.

The Group also offers its clients various trading alternatives based on the level of client sophistication (from beginner to expert) and on the mode of access (from smartphones to web-based interfaces to desktop applications). These applications provide retail clients investing in CFDs based on various financial instruments with tools, including charts, analytics, research and online trading.

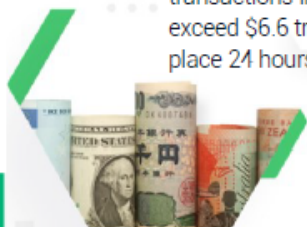
The functionality of the Group's offer enables clients to open and deposit funds in accounts, place and move orders and request statements via the Internet. The Group's core technology uses software products designed for their functionality and scalability.

In the period of 12 months of 2021, the Group continued the process of expanding its product offer. The aim of these activities was to meet clients expectations regarding the availability of individual financial instruments. In 2021, the offer of shares and ETFs was constantly expanded with new instruments desired by clients. In addition, the offer of CFD instruments based on cryptocurrencies has been expanded to about 15 instruments. Ultimately, in 2022, the Company wants to offer about 50 CFD instruments based on cryptocurrencies. In October 2020, the Company offered trading on shares from all around the world for free for monthly volumes up to EUR 100 000 as a first broker in Poland. XTB is constantly developing its own xStation trading platform by adding new functionalities. The Company's aim is to make the xStation platform a central and necessary place for every trader, where besides trading one could have access to education and fundamental data.

XTB product offer

FOREX

Forex (also known as the Foreign Exchange Market) – is the largest trading market in the world. The daily volume of transactions in currencies is estimated to exceed \$6.6 trillion. Forex trading takes place 24 hours a day, 5 days a week.



XTB offers almost 50 CFDs instruments based on currency pairs.

INDICES

CFDs are a derivatives product. This means that you don't actually own the underlying asset – you're speculating on whether the price will rise or fall.



XTB offers over 40 CFDs instruments based on indices from all over the World: USA, Germany, China.

COMMODITIES

Thanks to CFS transactions on commodities, you can invest in instruments based on commodities such as gold, silver and oil. It means that you're simply speculating on whether the price of commodities will rise or fall.

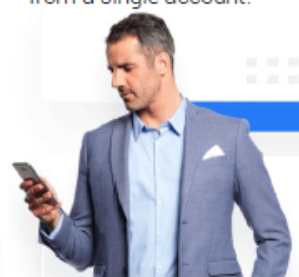


In XTB you can find over 20 CFDs instruments based on commodities.

SHARES

XTB offers access to selected world exchanges from a single account.

Shares are units of ownership interest in a corporation or financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends.



ETF CFDs

An exchange-traded fund (ETF) – is an investment fund traded on stock exchanges, much like stocks.



XTB offers both ETF CFD's and cash equity.

CRYPTO

A cryptocurrency is a digital asset designed to work as a medium of exchange that uses strong cryptography to secure financial transactions.



XTB offers a CFD instrument, which means that you do not have to physically buy a cryptocurrency. It is enough to invest and speculate on future price changes without holding the underlying instrument. You can choose from 15 instruments.



XTB is constantly actively expanding the functionalities of the xStation platform to meet requirements of both CFD clients and the new group of shares clients. The Management Board believes that the platform is currently one of the most developed trading platform on the CFD and stock market. The company is constantly trying to develop the platform with elements supporting transactions on OTC markets.

As at the end of 2021, the Group offered in total more than 5 400 financial instruments from all over the world. This number consisted of over 2 100 leveraged CFDs, including approximately 50 based on currency pairs, approximately 20 based on commodities, approximately 40 based on indices, 15 based on cryptocurrency, approximately 1 900 based on shares of companies listed on stock exchanges in 16 countries and over 100 based on American and European ETFs. Second part of the XTB's offer consists of over 3 200 cash instruments, including over 3 000 equity instruments and almost 300 ETF instruments from European markets. In 2021, the Company focused mainly on improving the existing processes of acquiring new clients, optimizing transaction costs for both clients and the Company, as well as all processes leading to the start of trading by customers and the experience of concluding transactions in XTB. The Group is actively introducing new improvements to the trading platform that make it more intuitive and easy to use.

2.2 Main operating markets and their segments

The Group conducts its operations through two business segments:

- Retail segment and
- Institutional segment.

The Group's retail business is focused on providing online trading in various instruments based on assets and underlying instruments from the financial and commodities markets to individual clients. For its institutional clients, the Group offers technologies that allow clients to set up their own trading environment under their own brands and acts as a liquidity provider to its institutional clients.

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



In January 2021, XTB established a subsidiary, XTB MENA Limited, based in the United Arab Emirates. It started operating at the end of July. As a result, client from the Middle East region gained access to almost 2,0 thousand CFD financial instruments. Over time, this offer will be further developed and modified in response to the needs and preferences of local investors. As in other markets, in the UAE, XTB has placed a strong emphasis on education and collaboration with established local partners.

XTB MENA Limited is a regional hub through which XTB will reach clients from the entire MENA (Middle East and North Africa) with its offer of financial instruments. The Middle East and North Africa is a new geographic region in the Group's operations that XTB considers in the long term. It will take at least 9-12 months to evaluate the success of the project. The Group wants to gain the trust of clients from Arab countries so that it can systematically increase its presence in this region and, over time, become a leading player in this part of the world.

In August 2021, the subsidiary XTB Africa (PTY) Ltd. received a license to operate in South Africa. Due to the prioritization of tasks, the intention of the Management Board is to start operating on this market not earlier than in the second half of 2022.



2.3 Events significantly influencing activities in 2021

Information about events and circumstances that had impact on the Company's and Group's operations in 2021 are presented in other parts of this report, in particular in section 3.2 *Basic economic and financial information*. Apart from the events described in this report there were no other events which had significant impact on the Company's and the Group's activities in 2021.

2.4 Material contracts

In 2021, the Company and the Group companies did not enter into agreements material for XTB operations, different than described in this report, also the Company has no knowledge about contracts concluded between shareholders material for XTB operations.

2.5 Related party transactions

In the 12 months period ended 31 December 2021 and 31 December 2020 there were no related parties transactions concluded on other than arm's length basis.

Transactions and the balances of settlements with related parties were presented in detail in *note 30* to the Separate Financial Statements.

2.6 Credit and loans

On March 24, 2021 the Company concluded an agreement with XTB MENA Limited, the subject of the agreement is a loan in the amount up to PLN 950 thousand paid in tranches. The loan interest rate was set at WIBOR 3M + 2.0% margin.

As at the balance sheet date, the loan was repaid by the subsidiary, the amount of interest received was PLN 5 000.

2.7 Sureties and guarantees

On 9 May 2014 the Company issued a guarantee in the amount of PLN 61 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

On 7 July 2017, the Parent Company granted a surety of PLN 6 033 thousand to secure the agreement concluded by the subsidiary XTB Limited with its registered office in the United Kingdom and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in the United Kingdom. The guarantee was granted for the duration of the main contract, which was concluded for a period of 3 years with the possibility of further extension.

Apart from described above, in 2021 XTB did not grant and did not receive other sureties and guarantees.

2.8 Post balance sheet events

On January 1, 2022 the address of the registered office of XTB S.A. was changed from Ogrodowa street 58, 00-876 Warsaw to Prosta street 67, 00-838 Warsaw

On January 12, 2022, the Management Board of XTB S.A. received the decision of the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register on the registration of amendments to the Articles of Association of the Company on January 5, 2022 made by Resolution No. 9 of the Extraordinary General Meeting of the Issuer of November 19, 2021 on amendments to the Articles of Association, pursuant to which the name of the entity was changed.

On February 24, 2022, Russian troops crossed the eastern, southern and northern borders of Ukraine, attacking Ukraine's military infrastructure. In connection with the hostilities of Russia, the representatives of the European Union imposed sanctions which were severe on Russia, which mainly concern strategic sectors of the Russian economy by blocking access to technology and markets. This situation does not have a direct impact on the Group, however it has caused high volatility in financial markets and declines in financial and commodity exchanges around the world.



2.9 External and internal factors important for the development of the Company and the Group

2.9.1 The number of active clients, transaction volumes and deposit amounts

The Group's revenue and its results of operations are directly mostly depended on the volume of transactions concluded by the Group's clients and the amount of deposits placed by them. The transaction volumes and deposit amounts depend, in turn, on the number of new active clients.

Net deposits placed by retail clients comprise deposits less the amounts withdrawn by the Group's clients in a given period. The level of net deposits defines the ability of the Group's clients to execute transactions in derivatives offered by the Group, which affects the level of the Group's transaction volumes.

2.9.2 Revenues of the Company and the situation on the financial and commodity markets

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

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

The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions. It can significantly affect the revenues generated by the Group in the subsequent quarters. This is characteristic of the Group's business model.

2.9.3 General market, geopolitical and economic conditions

Changes in the general market and economic situation in the regions, in which the Group operates, to some extent affect the general buying power of the Group's clients, as well as their readiness to spend or save, which in turn to some extent affects the demand for the Group's products and services.

Unfavourable trends in the global economy may limit the level of disposable income of the Group's clients and induce them to limit their activity on the FX/CFD market, which may, in turn, reduce the volume of transactions in financial instruments offered by the Group and result in a drop in the Group's operating income. The instability of geopolitical and economic conditions may affect the volatility of the financial and commodity markets, which may translate into clients transaction activity and, consequently, may also translate into the Group's revenues and client base.

2.9.4 Competition on the FX/CFD market

The FX/CFD market, both globally and in Poland, is characterised by high competitiveness. The Group competes with local entities (mainly brokerage houses being a part of or owned by commercial banks), local or Western European licenced institutions (such as Saxo Bank and IG Group) and other entities, both licenced and non-licenced which gain clients through the Internet (such as Plus500).

These entities compete with one another in terms of product and service prices, advanced technological solutions and brand strength. Activities undertaken by the Group and its competition affect the Group's competitive position and its share in the FX/CFD market. To maintain and expand its position in the markets in which it operates, the Group is investing in marketing activities.



In addition, the Group's ability to strengthen the current competitive position in the markets in which it operates, depends on many factors beyond the control of the Group, including in particular the recognition of the brand and the Group's reputation, attractiveness and quality of products and services offered by the Group as well as the functionality and quality of its technological infrastructure.

Moreover, results of operations depend to some extent on the level of spreads in the derivatives CFD. Increased competition in the market FX / CFD leads to a reduction in spreads in derivative transactions CFD. Smaller spreads and increased competition may reduce the revenues and profitability of the *market making* business model.

2.9.5 Regulatory environment

The Group operates in a strictly regulated environment that places specific significant obligations on the Group within the scope of a number of international and local regulations and provisions of applicable law. Among others, the Group is subject to regulations relating to:

- sales practices, including gaining of clients and marketing activities;
- maintaining capital at a specified level;
- anti-money laundering and preventing the financing of terrorism practices and "know your client" procedures (KYC);
- reporting obligations towards regulators;
- personal data protection and professional confidentiality obligations;
- obligations concerning investor protection and providing them with the relevant data on risks related to the brokerage services provided;
- supervision over the Group's operations;
- confidential data and its use, prevention of illegal disclosure of confidential data and prevention of market manipulation;
- providing information to the public as an issuer.

The Group is subject to supervision by specific regulatory authorities and public administration authorities in jurisdictions in which the Group operates. In Poland, the conduct of brokerage activities requires a licence from the PFSA and is subject to a number of regulatory requirements. The Company is a brokerage house operating based on a licence for the conduct of brokerage activities and is subject to regulatory supervision by the PFSA.

Thanks to the "single passport" rule arising from the MiFID II Directive, the Company operates as a branch based on and as part of the licence granted by the PFSA in the following member states of the EU: the Czech Republic, Spain, Slovakia, Romania, Germany, France and Portugal.

Moreover, the Company and XTB Limited, subject to the supervision by the FCA, conduct cross-border operations without establishing a branch (the MiFID Outward Service) in a number of jurisdictions, focusing mainly on the Italian and Hungarian markets. In addition, the Company and its subsidiaries are entitled to conduct cross-border operations in Austria, Belgium, Bulgaria, Greece, the Netherlands, Sweden, Hungary and Italy.

Additionally, the Company has a 100% interest in the following entities operating based on separate licences for the conduct of brokerage activities issued by the supervision authorities in foreign jurisdictions:

- XTB Limited – a brokerage house registered in Great Britain and subject to FCA supervision,
- XTB Limited (formerly: DUB Investments Ltd.) – an investment firm conducting brokerage activities registered in Cyprus and subject to supervision by the CySEC,
- XTB International Limited – the company with its seats in Belize provides brokerage services based on the obtained permission issued by the International Financial Service Commission.
- XTB MENA Limited – the company with its seats in Dubai, in the United Arab Emirates, licensed to arrange and perform transactions on a *matching principle* in OTC products, issued by the Dubai Financial Services Authority.
- XTB Africa (Pty) Ltd. – the company with its seats in South Africa, licensed to provide financial services in the field of derivatives issued by the Financial Sector Conduct Authority.

The Group has created a compliance (compliance in law) function for each Group Company to ensure compliance with the regulatory and regulatory requirements to which the Group is subject.

The regulatory environment in which the Group operates is constantly evolving. In recent years, the financial services industry has been subject to increasingly comprehensive regulatory oversight. The supervisory and public administration authorities regulating and supervising the Group's activities introduced a number of changes in the regulatory requirements to which the Group is subject and may undertake additional initiatives in this area in the future.



2.10 The Group's activities in 2021 and development outlook

The Group's strategy is to actively strengthen its position as an international supplier of technologically advanced products, services and solutions in the field of trading in financial instruments mainly in the EU, Latin America, Asia and Africa by increasing brand recognition, acquiring new clients for its transaction platforms and building a long-term investment profile and client loyalty. The Group's strategic plan includes supporting growth through expansion into new markets, further penetration of existing markets, expansion of the Group's product and service offer as well as the development of the institutional segment of operations (X Open Hub).

The Management Board is of the opinion that the Group has built solid foundations that ensure its good position to generate stable growth in the future.

XTB with its strong market position and dynamically growing client base builds its presence in the non-European markets, consequently implementing a strategy on building a global brand. The XTB Management Board puts the main emphasis on organic development, on the one hand increasing the penetration of European markets, on the other hand successively building its presence in Latin America, Asia and Africa. Following these activities, the composition of the capital group will be expanded by new subsidiaries. It is worth mentioning that geographic expansion is a process carried out by XTB on a continuous basis, the effects of which are spread over time. Therefore, one should not expect sudden, abrupt changes in the results on this action. Currently, the efforts of the Management Board are focused on expansion into the markets of the Middle East and Africa.

In January 2021, XTB established a subsidiary, XTB MENA Limited, based in the United Arab Emirates. It started operating at the end of July. As a result, clients from the Middle East region gained access to almost 2,0 thousand CFD financial instruments. Over time, this offer will be further developed and modified in response to needs and preferences of local investors. As in other markets, in the UAE, XTB has placed a strong emphasis on education and collaboration with established local partners.



XTB WITH A REGIONAL OFFICE IN DUBAI



XTB MENA Limited is a regional hub through which XTB reaches clients from the entire MENA (Middle East and North Africa) with its offer of financial instruments. The Middle East and North Africa is a new geographic region in the Group's operations that XTB considers in the long term. It will take at least 9-12 months to evaluate the success of the project. The Group wants to gain the trust of clients from Arab countries so that it can systematically increase its presence in this region and, over time, become a leading player in this part of the world.

In August 2021, the subsidiary XTB Africa (PTY) Ltd. received a license to operate in South Africa. Due to the prioritization of tasks, the intention of the Management Board is to start operating on this market not earlier than in the second half of 2022.



XTB OBTAINS LICENSE IN THE REPUBLIC OF SOUTH AFRICA



The development of XTB is also possible through mergers and acquisitions, especially with entities that would allow the Group to achieve geographic synergy (complementary markets). Such transactions will be carried out, only when they will bring measurable benefits for the Company and its shareholders. XTB is currently not involved in any acquisition process.



In 2021, the Company focused mainly on improving the existing processes of acquiring new clients, as well as all processes leading to the commencement of trade by clients and the experience itself resulting from concluding transactions with XTB. The Group is constantly introducing new improvements to the trading platform that make it more intuitive and easy to use.

The Group consistently implemented in its branches modern tools for comprehensive management of client relations from the moment of obtaining contact through the stages of further service, to signing the contract and maintaining the after-sales relationship. The tools allow for reporting and analysis, giving a better understanding of users and clients, which allows to optimize the cost of client acquisition and retention, which translates into a better-matched offer and faster implementation of client instructions.

The Group continued the process of educating investors by organizing free workshops and conferences and providing access to educational materials for both beginners and more experienced investors.

In 2022, the Group will take further steps to implement the strategy presented above.

The impact of COVID-19 on the Company's result

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

3. Operating and financial situation

3.1 Principles of preparation of annual financial statements

Consolidated and separate financial statements were prepared based on International Financial Reporting Standards (IFRS), which were endorsed by the European Union.

The consolidated financial statements of the XTB S.A. Group prepared for the period from 1 January 2021 to 31 December 2021 with comparative data for the year ended 31 December 2020 cover the Parent Company's financial data and financial data of the subsidiaries comprising "The Group".

The separate financial statements of the XTB S.A. prepared for the period from 1 January 2021 to 31 December 2021 with comparative data for the year ended 31 December 2020 cover the Company's financial data and financial data of the foreign branch offices.

The consolidated and separate financial statements have been prepared on the historical cost basis, with the exception of financial assets at fair value through P&L and financial liabilities held for trading 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 consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with the IFRS.

Drafting this consolidated financial statements, the Parent Company decided that none of the Standards would be applied retrospectively.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

3.2 Basic economic and financial information

3.2.1 Basic consolidated economic and financial information

The Group's operating and financial results are mainly affected by:

- the number of active accounts, transaction volumes and deposit amounts;
- volatility on financial and commodity markets;



- general market, geopolitical and economic conditions;
- competition on the FX/CFD market;
- regulatory environment.

The key factors affecting the Group's financial and operating results in the 12 months period ended 31.12.2021 are discussed below. The Management Board believes that these factors had and may continue to have an effect on the business activities, operating and financial results, financial condition and development perspectives of the Group.

Description of the Group's results in 2021

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

(IN PLN'000)	12 MONTHS PERIOD ENDED		CHANGE %
	31.12.2021	31.12.2020	
Result of operations on financial instruments	618 453	792 788	(22,0)
Income from fees and charges	5 034	4 839	4,0
Other income	2 108	123	1 613,8
Total operating income	625 595	797 750	(21,6)
Salaries and employee benefits	(131 262)	(119 141)	10,2
Marketing	(120 101)	(87 731)	36,9
Other external services	(38 434)	(29 443)	30,5
Commission expenses	(36 187)	(22 539)	60,6
Amortisation	(8 921)	(7 753)	15,1
Taxes and fees	(5 373)	(3 723)	44,3
Costs of maintenance and lease of buildings	(4 407)	(3 788)	16,3
Other expenses	(4 087)	(7 886)	(48,2)
Total operating expenses	(348 772)	(282 004)	23,7
Operating profit (EBIT)	276 823	515 746	(46,3)
Finance income	17 891	5 857	205,5
Finance costs	(4 258)	(22 906)	(81,4)
Profit before tax	290 456	498 697	(41,8)
Income tax	(52 626)	(96 610)	(45,5)
Net profit	237 830	402 087	(40,9)

XTB's dynamic operating growth translated into very good financial results in 2021 despite the "high base" effect from the first half of 2020, when the markets experienced above-average volatility caused among others, by the global COVID-19 pandemic. Consolidated net profit amounted to PLN 237 830 thousand compared to PLN 402 087 thousand a year earlier. Consolidated revenues amounted to PLN 625 595 thousand (2020: PLN 797 750 thousand) with operating costs at the level of PLN 348 772 thousand (2020: PLN 282 004 thousand).

Operating income

The Group's income is primarily derived from its retail activities and consists of:

- spreads (the difference between the offer price and the bid price);
- fees and commissions charged by the Group to its clients;
- swap points charged by the Group (being the difference between the notional forward rate and the spot rate of a given financial instrument);
- net result (profits offset by losses) from the Group's market making activities.



The table below presents the percentage share of each revenue category in the gross result of operations of financial instruments.

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Spread	83%	54%
Market Making	(23)%	30%
Swap, commission and fees	40%	16%
Gross result of operations on financial instruments	100%	100%

In 2021 the retail business segment generated approximately 90% of the total volume of the Group's turnover and the institutional business segment – approximately 10%.

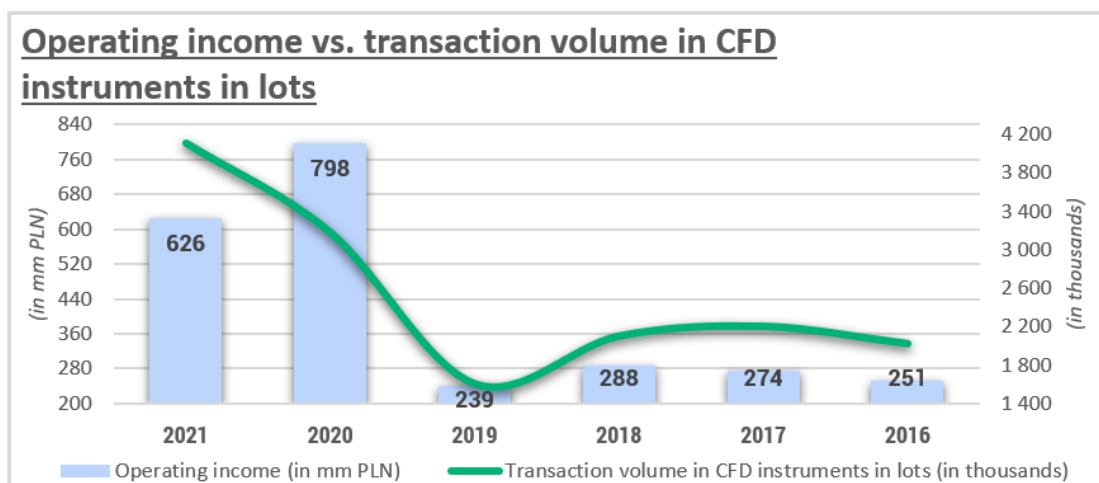
In 2021, XTB's revenues decreased by 21,6% y/y, from PLN 797 750 thousand to PLN 625 595 thousand. This decrease was due to the profitability per lot lower by PLN 99, amounting to PLN 152 (2020: PLN 251). This decrease is mainly due to the effect of the so-called "high base" from the first half of 2020, when the markets experienced above-average volatility caused, among others, by the global COVID-19 pandemic. The client trading volume, calculated in lots, was higher by 29,3% y/y and amounted to 4 104,6 thousand lots (2020: 3 175,2 thousand lots).

	12 MONTHS PERIOD ENDED					
	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Total operating income (in PLN'000)	625 595	797 750	239 304	288 301	273 767	250 576
Transaction volume in CFD instruments in lots ¹	4 104 566	3 175 166	1 597 218	2 095 412	2 196 558	2 015 655
Profitability per lot (in PLN) ²	152	251	150	138	125	124
Transaction volume in CFD instruments in nominal value (in USD'000000)	1 737 351	1 021 835	541 510	773 899	653 373	565 420
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ³	93	200	115	103	111	112

¹⁾ A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

²⁾ Total operating income divided by the transaction volume in CFDs in lots.

³⁾ Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).



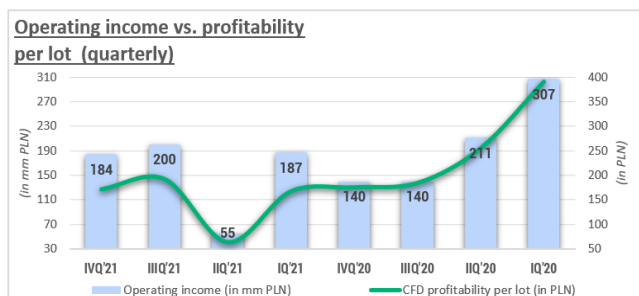
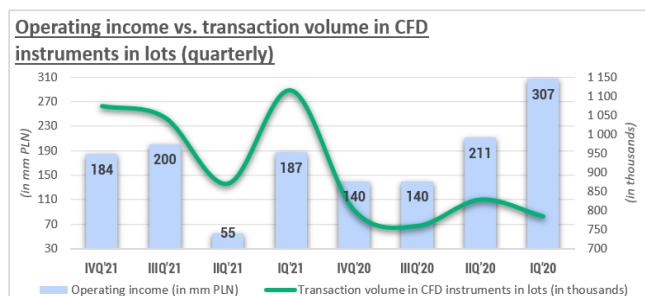
In the fourth quarter of 2021, revenues increased by 31,2% y/y, i.e. by PLN 43 605 thousand, from PLN 139 962 thousand to PLN 183 567 thousand. This change was influenced by: (i) higher turnover of clients in financial instruments expressed in the number of transactions concluded in lots – an increase by 272,6 thousand lots (from 800,0 thousand to 1 073,5 thousand lots); (ii) slightly lower profitability per lot – a decrease by PLN 4 (from PLN 175 to PLN 171).

	THREE-MONTH PERIOD ENDED							
	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020
Total operating income (in PLN'000)	183 567	200 029	55 302	186 697	139 962	139 630	211 494	306 664
Transaction volume in CFD instruments in lots ¹	1 073 549	1 044 329	871 300	1 115 389	800 935	760 373	829 017	784 840
Profitability per lot (in PLN) ²	171	192	63	167	175	184	255	391
Transaction volume in CFD instruments in nominal value (in USD'000000)	482 097	502 650	366 257	386 347	292 000	275 144	206 037	248 655
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ³	94	102	40	127	126	135	253	309

¹) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

²) Total operating income divided by the transaction volume in CFDs in lots.

³) Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).

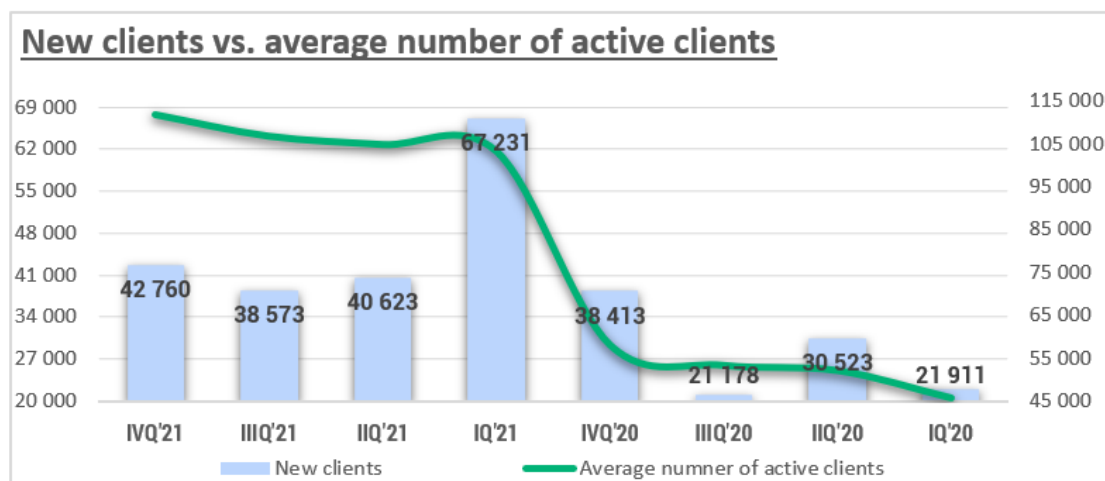


XTB has a solid foundation in the form of constantly growing client base and the number of active clients. This is the key to the amount of recurring income in the future. The Group reported another record in this area, acquiring 189 187 new clients compared to 112 025 a year earlier, which means an increase of 68,9%. This is the effect of continuing the optimized sales and marketing strategy, bigger penetration of already existing markets, successive introduction of new products to the offer and expansion into new geographic markets. Similarly to the number of new clients, the average number of active clients was also record high. It increased from 107 287 to 190 452, i.e. by 77,5% y/y.

	PERIOD ENDED							
	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020
New clients ¹	42 760	38 573	40 623	67 231	38 413	21 178	30 523	21 911
Average number of active clients ²	112 015	106 961	105 005	103 446	58 069	53 309	52 084	45 660

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

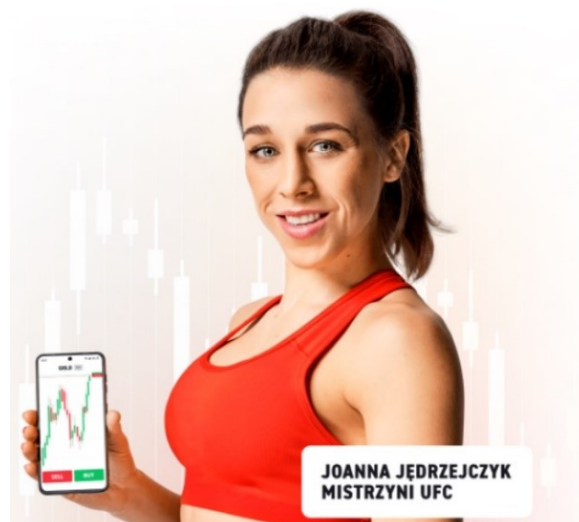
²) The average quarterly number of clients respectively for 12,9,6 and 3 months of 2021 and 12, 9, 6 and 3 months of 2020.



The ambition of the Management Board in 2022 is to acquire, on average, at least 40 thousand new clients quarterly. As a result of the implemented activities, the Group acquired a total of 18,1 thousand new clients in January 2022, while in February 2022, 15.1 thousand new clients were acquired.

The priority of the Management Board is to further increase the client base leading to the strengthening of XTB's market position in the world. These activities will be supported by a number of initiatives, including the new advertising campaign launched on February 14, 2022 with the participation of the new XTB brand ambassador – Joanna Jędrzejczyk – a titled martial arts competitor, the first Polish woman in the UFC organization and a champion in this organization, as well as a three-time world champion in Thai boxing.

XTB, thanks to the cooperation with Joanna Jędrzejczyk, started promoting the offered investment solutions, in particular, convincing that investing in various types of assets is available to everyone, using the tools provided that facilitate entry into the world of investments: through daily market analysis, as well as numerous educational materials.

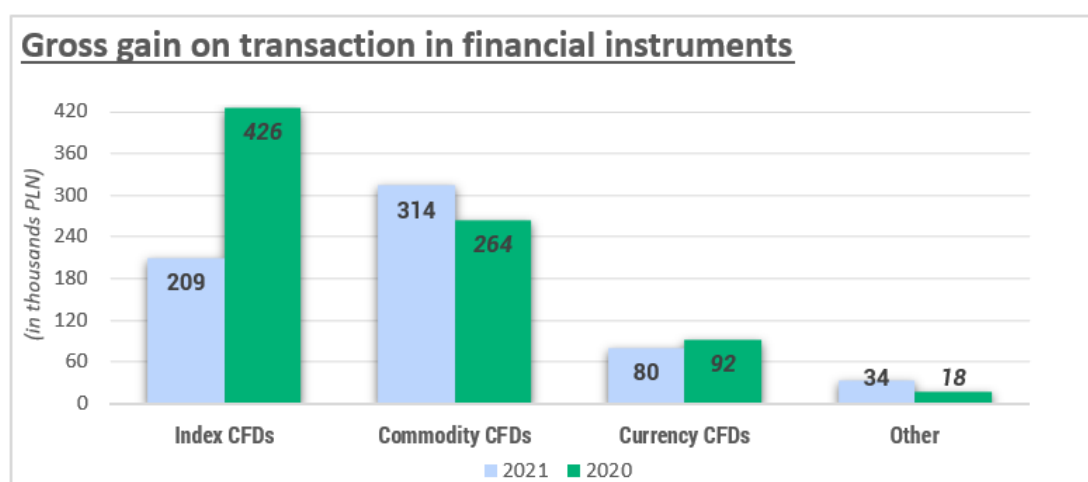


Looking at XTB's revenues in terms of the classes of instruments responsible for their creation, it can be seen that in 2021, CFDs based on commodities were in the lead. Their share in the structure of revenues on financial instruments reached 49,3% compared to 33,0% a year earlier. This is a consequence of, among others high profitability on CFD instruments based on quotations of gold, natural gas, crude oil and silver prices. The second most profitable asset class was index-based CFDs. Their share in the revenue structure in 2021 was 32,8% (2020: 53,2%). The most profitable instruments in this class were CFDs based on the US 100 index, the German DAX share index (DE30) and the US 500 index. Revenues on CFDs based on currencies accounted for 12,5% of all revenues, compared to 11,5% a year earlier, where the most profitable financial instruments in this class were based on the EURUSD currency pair.

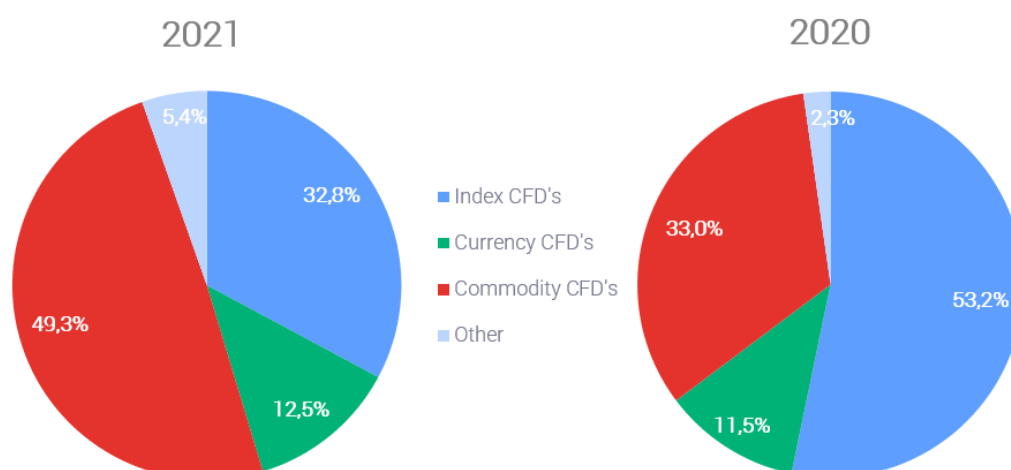


The result of operations on financial instruments

(IN PLN'000)	12 MONTHS PERIOD ENDED		CHANGE %
	31.12.2021	31.12.2020	
Index CFDs	313 948	263 949	18,9
Commodity CFDs	209 304	425 917	(50,9)
Currency CFDs	79 761	91 951	(13,3)
Stock CFDs and ETFs	34 885	12 885	170,7
Bond CFDs	223	198	12,6
Total CFDs	638 121	794 900	(19,7)
Shares and ETFs	(689)	4 988	(113,8)
Gross gain on transactions in financial instruments	637 432	799 888	(20,3)
Bonuses and discounts paid to customers	(2 700)	(1 580)	70,9
Commission paid to cooperating brokers	(16 279)	(5 520)	194,9
Net gain on transactions in financial instruments	618 453	792 788	(22,0)



The share of instruments in the result of operations on financial instruments



XTB places great importance on the geographical diversification of revenues, consistently implementing the strategy of building a global brand. The country from which the Group derives more than 20% of revenues each time is Poland, with a share of 33,5% (2020: 37,0%). Due to the overall share in the Group's revenues, Poland was separated for presentation purposes as the largest market in terms of revenues in the Group. The Group breaks down its revenues by geographic area according to the country of the XTB office in which the client was acquired.



(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Central and Eastern Europe	327 289	404 414
- including Poland	209 804	295 148
Western Europe	165 349	303 177
Latin America ¹	127 745	90 159
Middle East	5 212	-
Total operating income	625 595	797 750

¹⁾ The subsidiary XTB International Ltd., headquartered in Belize, acquires clients from Latin America and the rest of the world.

XTB puts also strong emphasis on diversification of segment revenues. Therefore the Group develops institutional activities under X Open Hub brand, under which it provides liquidity and technology to other financial institutions, including brokerage houses. Revenues from this segment are subject to significant fluctuations from period to period, analogically to the retail segment, which is typical for the business model adopted by the Group.

(in PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2021	31.12.2020
Retail segment	623 610	692 819
Institutional segment (X Open Hub)	1 985	104 931
Total operating income	625 595	797 750

XTB's business model includes high volatility of revenues depending on the period. Operating results are mainly affected by: (i) volatility on financial and commodity markets; (ii) the number of active clients; (iii) volume of concluded transactions on financial instruments; (iv) general market, geopolitical and economic conditions; (v) competition on the FX/CFD market and (vi) regulatory environment.

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

The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions. It can significantly affect the revenues generated by the Group in the subsequent quarters. This is characteristic of the Group's business model.

Operating expenses

The operating costs in 2021 amounted to PLN 348 772 thousand and were PLN 66 768 thousand higher than in the previous year (2020: PLN 282 004 thousand). The most important changes occurred in:

- marketing costs, an increase by PLN 32 370 thousand resulting mainly from higher expenditure on online marketing campaigns;
- commission costs, an increase by PLN 13 648 thousand resulting from higher amounts paid to payment service providers through which clients deposit their funds in transaction accounts;
- costs of remuneration and employee benefits, an increase by PLN 12 121 thousand mainly due to an increase in employment;
- other external services, an increase by PLN 8 991 thousand as a result of mainly higher expenditure on: (i) IT systems and licenses (increase by PLN 4 456 thousand y/y); (ii) legal and advisory services (increase by PLN 1 778 thousand y/y) and (iii) market data delivery services (increase by PLN 1 367 thousand y/y).



3.2.2 Public support

In 2021 the Company received financial support in the form of the *de minimis* help in the total amount of PLN 30 thousand from KFS training fund.

In 2020 the Company received financial support in the form of the *de minimis* help in the total amount of PLN 28 thousand from KFS training fund.

3.2.3 Rate of return on assets

The rate of return on assets, calculated as the quotient of net profit and total assets, as of 31 December 2021 amounted to 7,5% and as of 31 December 2020 amounted to 17,6%.

3.2.4 Activities of the brokerage house outside the territory of the Republic of Poland

XTB, as a brokerage house, has the following branches and subsidiaries, which are financial institutions within the meaning of Article 4 paragraphs 1 point 26 of Regulation 575/2013 on prudential requirements for credit institutions and investment firms:

- branches:
 - X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka in Czech Republic. The branch provides support services for the sale of financial instruments;
 - X-Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana in Spain. The branch provides support services for the sale of financial instruments;
 - X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačná zložka w the Slovak Republic. The branch provides support services for the sale of financial instruments;
 - X-Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania in Romania. The branch provides support services for the sale of financial instruments;
 - X-Trade Brokers Dom Maklerski S.A., German Branch in the Federal Republic of Germany. The branch provides support services for the sale of financial instruments;
 - X-Trade Brokers Dom Maklerski Spółka Akcyjna in the Republic of France. The branch provides support services for the sale of financial instruments;
 - X-Trade Brokers Dom Maklerski S.A., Sucursal Portuguesa in Portugal. The branch provides support services for the sale of financial instruments;
- subsidiaries:
 - XTB Limited in Cyprus. The company provides brokerage services based on the obtained permission;
 - XTB Limited in Great Britain. The company provides brokerage services based on the obtained permission;
 - XTB International Limited in Belize. The company provides brokerage services based on the obtained permission;
 - XTB MENA Limited in the United Arab Emirates. The company provides brokerage services based on the obtained permission and,
 - XTB Africa (PTY) Ltd. in South Africa. The company has obtained a license to conduct brokerage activities. As at the date of publishing this report, the Company did not conduct any operating activities.

The table below presents additional data on the above branches and subsidiaries in 2021 and 2020:

NAME	AREAS OF ACTIVITIES	REVENUE FOR 2021 (in thousands PLN)	NUMBER OF EMPLOYEES IN TERMS OF FTSs	PROFIT BEFORE TAX FOR 2021 (in thousands PLN)	INCOME TAX FOR 2021 (in thousands PLN)
Branches	the UE	76 205	111	3 449	(1 239)
Subsidiaries	the UE	3 195	7	158	(38)
Subsidiaries	outside the UE	83 535	46	5 738	(296)

NAME	AREAS OF ACTIVITIES	REVENUE FOR 2020 (in thousands PLN)	NUMBER OF EMPLOYEES IN TERMS OF FTSs	PROFIT BEFORE TAX FOR 2020 (in thousands PLN)	INCOME TAX FOR 2020 (in thousands PLN)
Branches	the UE	66 843	106	3 180	(1 020)
Subsidiaries	the UE	21 070	38	1 137	16
Subsidiaries	outside the UE	37 619	1	3 527	(122)



3.2.5 Selected financial and operating ratios of the Group

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

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
EBITDA (in PLN'000) ¹⁾	285 744	523 499
EBITDA margin (%) ²⁾	45,7	65,6
Net profit margin (%) ³⁾	38,0	50,4
Return on equity – ROE (%) ⁴⁾	26,4	58,3
Return on assets – ROA (%) ⁵⁾	8,8	23,5
Aggregate capital adequacy ratio (IFR) (%) ⁶⁾	200,1	200,1

¹⁾ EBITDA calculated as operating profit, including amortisation and depreciation.

²⁾ Calculated as the quotient of operating profit, including amortisation and depreciation, and operating income.

³⁾ Calculated as the quotient of net profit and operating income.

⁴⁾ Calculated as the quotient of net profit and average balance of equity (calculated as the arithmetic mean of the total equity as at the end of the prior period and as at the end of the current reporting period).

⁵⁾ Calculated as the quotient of net profit and average balance of total assets (calculated as the arithmetic mean of the total assets as at the end of the prior period and as at the end of the current reporting period).

⁶⁾ For comparability and presentation in the period until June 25, 2021, the IFR capital ratio was calculated as the CRR capital ratio including buffers * 12.5.

The table below presents:

- the number of new clients in individual periods;
- the aggregate number of clients;
- the number of clients who at least one transaction has been concluded over the individual periods;
- the average quarterly number of clients who at least one transaction has been concluded over the last three months;
- the amount of net deposits in the individual periods;
- average operating income per one active client;
- the transaction volume in lots;
- profitability per lot;
- transaction volume of CFD derivatives at nominal value (in USD million);
- Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD);
- the volume of share transactions at nominal value (in USD million).



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

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
New clients ¹	189 187	112 025
Clients in total	429 157	255 791
Number of active clients ²	190 452	107 287
Average number of active clients ³	112 015	58 069
Net deposits (in PLN'000) ⁴	2 933 422	1 961 242
Average operating income per active client (in PLN'000) ⁵	5,6	13,7
Transaction volume in CFD instruments in lots ⁶	4 104 566	3 175 166
Profitability per lot (in PLN) ⁷	152	251
Transaction volume in CFD instruments in nominal value (in USD'000000)	1 737 351	1 021 835
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ⁸	93	200
Turnover of shares in nominal value (in USD'000000)	4 437	1 643

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

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

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

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

⁵⁾ The Group's operating income in a given period divided by the average quarterly number of clients who at least one transaction has been concluded over the last three months.

⁶⁾ A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

⁷⁾ Total operating income divided by the transaction volume in CFDs in lots.

⁸⁾ Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).

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

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Retail operations segment	3 712 714	2 864 584
Central and Eastern Europe	1 744 002	1 484 941
Western Europe	1 031 132	961 500
Latin America ¹	917 870	418 143
Middle East	19 709	-
Institutional operations segment	391 852	310 582
Total	4 104 566	3 175 166

¹⁾ The subsidiary XTB International Ltd., headquartered in Belize, acquires clients from Latin America and the rest of the world.



Group turnover in lots by segments



The table below shows data on the Group's revenue by geographical area for the periods indicated. The Group shares its revenues by geographic area according to the country of the XTB office in which the client was acquired.

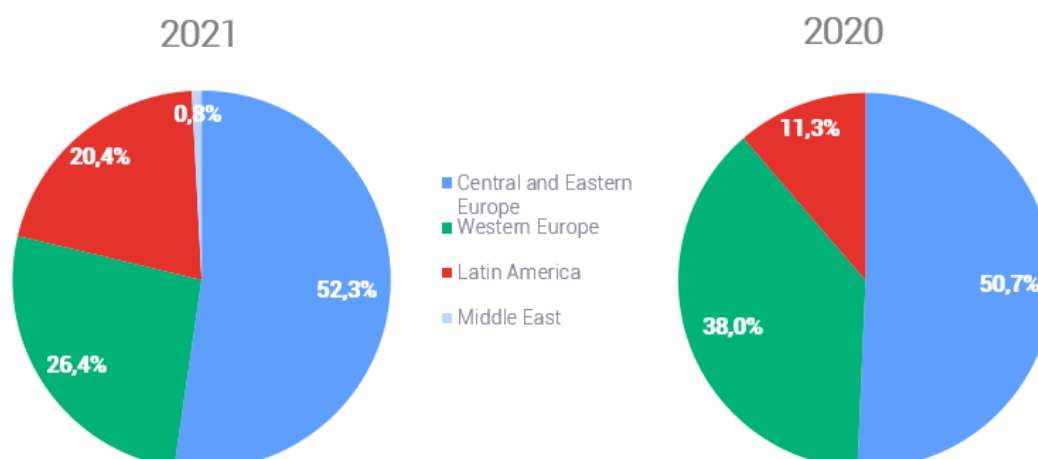
(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Result from operations on financial instrument:	618 453	792 788
Central and Eastern Europe	321 404	400 589
Western Europe	164 410	302 346
Latin America ¹	127 427	89 853
Middle East	5 212	-
Income from fees and charges:	5 034	4 839
Central and Eastern Europe	3 777	3 703
Western Europe	939	831
Latin America ¹	318	305
Middle East	0	-
Other income:	2 108	123
Central and Eastern Europe	2 108	123
Total operating income	625 595	797 750
Central and Eastern Europe	327 289	404 414
- including Poland ²	209 804	295 148
Western Europe	165 349	303 177
Latin America¹	127 745	90 159
Middle East	5 212	-

¹⁾ The subsidiary XTB International Ltd., headquartered in Belize, acquires clients from Latin America and the rest of the world.

²⁾ The country from which the Group derives more than 20% of revenues each time is Poland, with a share of 33,5% (2020: 37,0%). Due to the overall participation Poland was presented in the Group's revenues as the largest market in terms of revenues.



Group revenues by geographical area



Retail operations segment

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

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
New clients ¹⁾	189 182	112 015
Clients in total	429 119	255 752
Number of active clients ²⁾	190 425	107 259
Average number of active clients ³⁾	111 993	58 045
Number of transactions ⁴⁾	80 129 210	61 317 970
Transaction volume in CFD instruments in lots ⁵⁾	3 712 714	2 864 583
Net deposits (in PLN'000) ⁶⁾	2 916 936	1 843 086
Average operating income per active client (in PLN'000) ⁷⁾	5,6	11,9
Average cost of obtaining an client (in PLN'000) ⁸⁾	0,6	0,8
Profitability per lot (in PLN) ⁹⁾	168	242
Transaction volume in CFD instruments in nominal value (in USD million)	1 615 612	933 177
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ¹⁰⁾	100	190
Turnover of shares in nominal value (in USD million)	4 437	1 643

¹⁾ The number of new clients in the individual periods.

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

³⁾ The average quarterly number of clients via which at least one transaction has been concluded over the last three months.

⁴⁾ Total number of open and closed transactions in a given period.

⁵⁾ A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

⁶⁾ Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.

⁷⁾ The Group's operating income in a given period divided by the average quarterly number of clients via which at least one transaction has been concluded over the last three months.

⁸⁾ Average cost of obtaining a client comprise total marketing costs of the Group divided by the number of new clients in given period.

⁹⁾ Total operating income in retail segment divided by the transaction volume in CFDs in lots.

¹⁰⁾ Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).



The table below presents the average quarterly number of retail clients maintained by the Group on which at least one trade was executed in the three-month period by geographical location. The locations of active clients have been determined based on the location of the Group's office (that maintains the client).

	12 MONTHS PERIOD ENDED			
	31.12.2021		31.12.2020	
Central and Eastern Europe	28 597	26%	31 180	54%
Western Europe	64 097	57%	18 825	32%
Latin America ¹	19 293	17%	8 040	14%
Middle East	6	0%	-	-
Total	111 993	100%	58 045	100%

¹⁾ The subsidiary XTB International Ltd., headquartered in Belize, acquires clients from Latin America and the rest of the world.

Institutional operations segment

The Group also provides services to institutional clients under the X Open Hub (XOH) brand, under which it provides liquidity and technology to other financial institutions as part of the institutional business segment.

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

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Average number of active clients	22	24
Clients in total	38	39

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

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Transaction volume in CFD instruments in lots	391 852	310 582



3.2.6 Basic separate economic financial information

Discussion of the Company's results in 2021

The table below shows selected items of the separate statement of comprehensive income for the periods indicated.

(IN PLN'000)	12 MONTHS ENDED		CHANGE %
	31.12.2021	31.12.2020	
Result of operations on financial instruments	555 840	744 344	(25,3)
Income from fees and charges	4 404	3 827	15,1
Other income	2 108	123	1 613,8
Total operating income	562 352	748 294	(24,8)
Salaries and employee benefits	(102 530)	(95 126)	7,8
Marketing	(75 267)	(51 213)	47,0
Other external services	(71 157)	(57 601)	23,5
Commission expenses	(23 804)	(14 636)	62,6
Amortisation	(7 485)	(6 881)	8,8
Taxes and fees	(3 900)	(3 170)	23,0
Costs of maintenance and lease of buildings	(2 596)	(2 447)	6,1
Other costs	(2 450)	(5 301)	(53,8)
Total operating expenses	(289 189)	(236 375)	22,3
Profit on operating activities	273 163	511 919	(46,6)
Impairment of investments in subsidiaries	(1 022)	(2 244)	(54,5)
Finance income	18 625	4 927	278,0
Finance costs	(4 115)	(365)	1 027,4
Profit before tax	286 651	514 237	(44,3)
Income tax	(51 810)	(96 061)	(46,1)
Net profit	234 841	418 176	(43,8)

Operating income

The Company's income is primarily derived from its retail activities and consists of:

- spreads (the difference between the offer price and the bid price);
- fees and commissions charged by the Company to its clients;
- swap points charged by the Company (being the difference between the notional forward rate and the spot rate of a given financial instrument);
- net result (profits offset by losses) from the Company's *market making* activities.

The table below presents the percentage share of each revenue category in the gross result of operations of financial instruments (except dividends from subsidiaries).

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Spread	83%	54%
Market Making	(23)%	30%
Swaps, commissions and fees	40%	16%
Gross result of operations on financial instruments (except dividends from subsidiaries)	100%	100%



The table below shows information on the Company's operating income for the periods indicated.

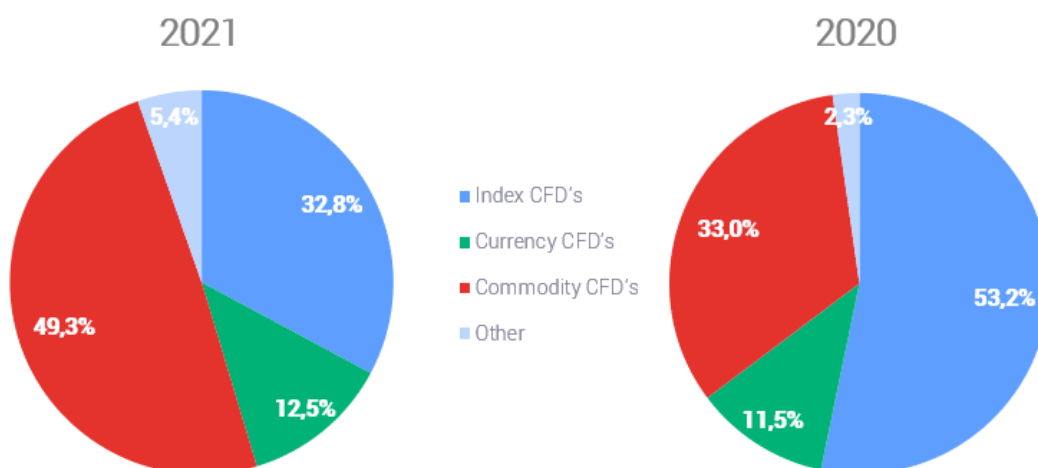
	12 MONTHS PERIOD ENDED			
	31.12.2021		31.12.2020	
	(in PLN'000)	(%)	(in PLN'000)	(%)
Result of operations on financial instruments	555 840	98,8	744 349	99,5
Income from fees and charges	4 404	0,8	3 827	0,5
Other income	2 108	0,4	123	0,0
Total operating income	562 352	100,0	748 294	100,0

The largest source of the Company's operating income is the result from operations on financial instruments, which accounted for 98,8% and 99,5% of total operating revenues, in 2021 and 2020, respectively. The largest share in the result on transactions in gross financial instruments have three product classes: CFD derivatives on commodities, indices and currencies, that generated in 2021, respectively 48,9%, 32,6% and 12,4% (in 2020, respectively: 32,9%, 53,1% and 11,5%). Other products, such as CFD derivatives based on shares and ETFs, CFD based on bonds and shares and ETFs in the analysed periods accounted for a total of 5,4% and 2,3% of the result on operations in gross financial instruments in 2021 and in 2020 respectively.

The result of operations on financial instruments

(IN PLN'000)	12 MONTHS PERIOD ENDED		CHANGE %
	31.12.2021	31.12.2020	
Commodity CFDs	313 948	263 949	18,9
Index CFDs	209 304	425 917	(50,9)
Currency CFDs	79 761	91 951	(13,3)
Stock and ETF CFDs	34 885	12 885	170,7
Bond CFDs	223	198	12,6
Total CFDs	638 121	794 900	(19,7)
Stocks and ETFs	(689)	4 988	(113,8)
Dividends from subsidiaries	5 100	2 666	91,3
Gross gain on transactions in financial instruments	642 532	802 554	(19,9)
Bonuses and discounts paid to customers	(86 148)	(57 501)	49,8
Intermediary services	(544)	(708)	(23,2)
Commission paid to cooperating brokers	555 840	744 344	(25,3)

The share of instruments in the result on operations financial instruments





Total operating expenses

In 2021 operating expenses amounted to PLN 289 189 thousand and were higher by PLN 52 814 thousand in relation to the same period a year earlier (2020: PLN 236 375 thousand). The most significant changes occurred in:

- marketing costs, an increase of PLN 24 054 thousand mainly due to higher expenditures on marketing online campaigns;
- other external services, an increase of PLN 13 556 thousand as a result of higher expenditures on: (i) financial intermediation services related to the intensive development of the subsidiaries activities on foreign markets (an increase by PLN 5 489 thousand y/y); (ii) IT systems and licenses (an increase of PLN 4 343 thousand r/r) (iii) legal and advisory services (increase by 1 620 thousand y/y) and (iv) market data provision services (increase by PLN 1 367 thousand y/y);
- commission expenses, an increase of PLN 9 168 thousand as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- costs of remuneration and employee benefits, an increase by PLN 7 404 thousand mainly due to the increase in employment.

3.2.7 Selected financial and operation ratios of the Company

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

	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
EBITDA (in PLN'000) ¹	280 648	518 800
EBITDA margin (%) ²	49,9	69,3
Net profit margin (%) ³	41,8	55,9
Return on equity – ROE (%) ⁴	26,1	60,3
Return on assets – ROA (%) ⁵	9,2	25,8
Aggregate capital adequacy (IFR) (%) ⁶	211,5	213,5

¹⁾ EBITDA calculated as operating profit, including amortisation and depreciation.

²⁾ Calculated as the quotient of operating profit, including amortisation and depreciation, and operating income.

³⁾ Calculated as the quotient of net profit and operating income.

⁴⁾ Calculated as the quotient of net profit and average balance of equity (calculated as the arithmetic mean of the total equity as at the end of the prior period and as at the end of the current reporting period).

⁵⁾ Calculated as the quotient of net profit and average balance of total assets (calculated as the arithmetic mean of the total assets as at the end of the prior period and as at the end of the current reporting period).

⁶⁾ For comparability and presentation in the period until June 25, 2021, the capital ratio IFR was calculated as the capital ratio CRR including buffers * 12.5.

Due to the fact that operating KPIs data concerning number of clients, number of active clients, deposits, volume turnover in lots and average operating income per active client are analysed by the Company's Management Board on the Group level, and not in the separate view, this data was presented only in the consolidated view. In the Company's opinion this gives complete view of the Group's situation. Therefore, in the Company's opinion analysis of the above mentioned KPIs on the consolidated level is reliable.



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

(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2021	31.12.2020
Result of the operations on financial instrument:	555 840	744 344
Central and Eastern Europe	326 503	400 628
Western Europe	144 386	282 080
Latin America ¹	86 491	61 636
Middle East	(1 540)	-
Income from fees and charges:	4 404	3 827
Central and Eastern Europe	3 805	3 590
Western Europe	599	237
Other income:	2 108	123
Central and Eastern Europe	2 108	123
Total operating income	562 352	748 294
Central and Eastern Europe	332 416	404 341
- including Poland ²	214 933	295 075
Western Europe	144 985	282 316
Latin America	86 491	61 637
Middle East	(1 540)	-

¹⁾ The subsidiary XTB International Ltd., headquartered in Belize, acquires clients from Latin America and the rest of the world.

²⁾ The country from which the Company derives more than 20% of revenues each time is Poland with a share of 38.2% (2020: 39.4%). Due to the overall share of Poland was presented in the Group's revenues as the largest market in terms of revenues.

3.3 Current and projected financial situation

Current and projected financial situation of XTB S.A. and the Capital Group shows no significant risks. The Company is the parent company of the Capital Group. The Company's financial situation should be evaluated by the results of the entire Capital Group. The company maintains and intends to maintain the financial liquidity at an adequate level to the scale of its operations.



3.4 Structure of assets and liabilities

3.4.1 Structure of assets and liabilities in the consolidated statement of financial position

(IN PLN'000)	31.12.2021	% balance sheet total	31.12.2020	% balance sheet total
ASSETS				
Own cash	589 392	18,7	542 205	23,7
Clients' cash	1 786 869	56,8	1 033 602	45,3
Financial assets at fair value through P&L	703 546	22,4	663 133	29,0
Income tax receivables	7 247	0,2	2 593	0,1
Financial assets at amortized cost	26 568	0,8	13 310	0,6
Prepayments and deferred costs	8 637	0,3	5 397	0,2
Intangible assets	585	0,0	639	0,0
Property, plant and equipment	16 206	0,5	13 260	0,6
Deferred income tax assets	8 693	0,3	9 387	0,4
Total assets	3 147 743	100,0	2 283 526	100,0
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	2 010 490	63,9	1 203 243	52,7
Financial liabilities held for trading	127 712	4,1	96 632	4,2
Income tax liabilities	783	0,0	1 329	0,1
Liabilities due to lease	7 437	0,2	8 654	0,4
Other liabilities	48 377	1,5	54 167	2,4
Provisions for liabilities	4 965	0,2	7 939	0,3
Deferred income tax provision	32 419	1,0	23 257	1,0
Total liabilities	2 232 183	70,9	1 395 221	61,1
Equity				
Share capital	5 869	0,2	5 869	0,3
Supplementary capital	71 608	2,3	71 608	3,1
Other reserves	598 789	19,0	390 730	17,1
Foreign exchange differences on transaction	(449)	0,0	9	0,0
Retained earnings	239 743	7,6	420 089	18,4
Equity attributable to the owners of the Parent	915 560	29,1	888 305	38,9
Total equity	915 560	29,1	888 305	38,9
Total equity and liabilities	3 147 743	100,0	2 283 526	100,0

As at 31 December 2021 balance sheet total amounted to PLN 3 147 743 thousand. In comparison to 31 December 2020 there was an increase by PLN 864 217 thousand i.e. 37,8%.

The most important asset item, both at the end of 2021 and 2020, are cash increased by treasury bonds (presented in financial assets at fair value through P&L), which accounted for respectively in 2021 and 2020, 86,0% and 86,5% of assets. Cash comprises the Group's own cash and clients' cash. Clients' cash is deposited in bank accounts separately from the Group's cash. XTB place part of its cash in financial instruments with a 0% risk weight, i.e. in treasury bonds and bonds guaranteed by the State Treasury. As at 31.12.2021 the total amount of treasury bonds in the Group amounted to PLN 331 926 thousand, (as at 31.12.2020 PLN 398 616 thousand). At the end of 2021, own cash increased by bonds slightly decreased by 2,1% y/y, with clients' cash increasing by 72,9% y/y.

The most significant increase in terms of value, i.e. by PLN 753 267 thousand in assets took place in client funds.

As regards the structure of liabilities, the most significant item as at 31 December 2021 were amounts due to clients (63,9% of liabilities in 2021 and 52,7% in 2020). Amounts due to clients result from transactions made by clients (including cash deposited on clients' accounts).



3.4.2 Structure of assets and liabilities in the separate statement of financial position

(in PLN'000)	31.12.2021	% balance sheet total	31.12.2020	% balance sheet total
ASSETS				
Own cash	550 871	18,5	494 766	23,0
Clients' cash	1 635 115	55,0	941 466	43,7
Financial assets at fair value through P&L	663 725	22,3	632 760	29,4
Investments in subsidiaries	39 879	1,3	35 890	1,7
Income tax receivables	7 247	0,2	2 584	0,1
Financial assets at amortised cost	47 796	1,6	23 564	1,1
Prepayments and deferred costs	7 093	0,2	4 881	0,2
Intangible assets	450	0,0	477	0,0
Property, plant and equipment	12 562	0,4	11 725	0,5
Deferred income tax assets	6 820	0,2	7 518	0,3
Total assets	2 971 558	100,0	2 155 631	100,0
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	1 879 191	63,2	1 104 252	51,2
Financial liabilities held for trading	94 469	3,2	73 398	3,4
Income tax liabilities	132	0,0	494	0,0
Liabilities due to lease	4 382	0,1	7 544	0,3
Other liabilities	44 429	1,5	52 883	2,5
Provisions for liabilities	4 665	0,2	4 911	0,2
Deferred income tax provision	31 871	1,1	23 166	1,1
Total liabilities	2 059 139	69,3	1 266 648	58,8
Equity				
Share capital	5 869	0,2	5 869	0,3
Supplementary capital	71 608	2,4	71 608	3,3
Other reserves	598 651	20,1	390 592	18,1
Foreign exchange differences on translation	1 450	0,0	2 738	0,1
Retained earnings	234 841	7,9	418 176	19,4
Total equity	912 524	30,7	888 983	41,2
Total equity and liabilities	2 971 558	100,0	2 155 631	100,0

As at 31 December 2021 balance sheet total amounted to PLN 2 971 558 thousand. In comparison to 31 December 2020 there was an increase by PLN 815 927 thousand i.e. 37,9%.

The most important asset item, both at the end of 2021 and 2020, are cash increased by treasury bonds (presented in financial assets at fair value through P&L), which accounted for respectively in 2021 and 2020, 84,7% and 85,1% of assets. Cash includes the Company's own cash and clients' cash. Clients' cash is deposited in bank accounts separately from the Company's cash. XTB place part of its cash in financial instruments with a 0% risk weight, i.e. in treasury bonds and bonds guaranteed by the State Treasury. As at December 31, 2021, the total value of bonds in the Company was PLN 331 926 thousand (as at December 31, 2020: PLN 398 615 thousand). At the end of 2021, own cash increased by bonds slightly decreased by 1,2% y/y, with client cash increasing by 73,7% y/y.

The most significant increase in terms of value, i.e. by PLN 693 649 thousand in assets took place in client funds.

The company has investments in subsidiaries. Total nominal value of shares in subsidiaries as at December 31, 2021 amounted to PLN 39 879 thousand, which accounted for 1,3% of the Company's assets. As at December 31, 2020, this value amounted to PLN 35 890 thousand, i.e. 1,7% of the assets of the Company, which means an increase of the position by PLN 3 989 thousand y/y.

As regards the structure of liabilities, the most significant item as at 31 December 2021 were amounts due to clients (63,2% of liabilities in 2021 and 51,2% in 2020). Amounts due to clients result from transactions made by clients (including cash deposited on clients' accounts).



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

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations in 2021 and in some cases also longer:

- The business model used by the Group combines the features of the agency model and the market making model, in which the Group is a party to a transaction concluded and initiated by the client. The Group does not engage in transactions carried out on its own account in anticipation of changes in prices or values of the underlying instruments.

The Group's offer includes both CFD instruments and stocks / ETFs from the cash markets. In the case of selected CFD instruments, e.g. based on share prices, the position of XTB is fully hedged with external brokers. For equity instruments and ETFs, the Group transmits the client's order to be executed directly on the regulated market or in an alternative trading system.

The Group's operating income is generated:

- i. spreads (the difference between the offer price and the bid price);
- ii. fees and commissions charged by the Group to its clients;
- iii. swap points charged by the Group (being the difference between the notional forward rate and the spot rate of a given financial instrument).
- iv. net result (profits offset by losses) from the Group's market making activities.

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

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



	THREE-MONTH PERIOD ENDED							
	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020
Total operating income (in PLN'000)	183 567	200 029	55 302	186 697	139 962	139 630	211 494	306 664
Transaction volume in CFD instruments in lots ¹	1 073 549	1 044 329	871 300	1 115 389	800 935	760 373	829 017	784 840
Profitability per lot (in PLN) ²	171	192	63	167	175	184	255	391
Transaction volume in CFD instruments in nominal value (in USD'000000)	482 097	502 650	366 257	386 347	292 000	275 144	206 037	248 655
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ³	94	102	40	127	126	135	253	309

¹) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

²) Total operating income divided by the transaction volume in CFDs in lots.

³) Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).

Although in quarterly terms, the revenues of the XTB Group are subject to significant fluctuations, which is a phenomenon typical of the XTB business model, then in a longer time horizon, which is a year, they take on more stable and comparable values to those from historical years.

	12 MONTHS PERIOD ENDED					
	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Total operating income (in PLN'000)	625 595	797 750	239 304	288 301	273 767	250 576
Transaction volume in CFD instruments in lots ¹	4 104 566	3 175 166	1 597 218	2 095 412	2 196 558	2 015 655
Profitability per lot (in PLN) ²	152	251	150	138	125	124
Transaction volume in CFD instruments in nominal value (in USD'000000)	1 737 351	1 021 835	541 510	773 899	653 373	565 420
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ³	93	200	115	103	111	112

¹) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

²) Total operating income divided by the transaction volume in CFDs in lots.

³) Total operating income converted into USD by the arithmetic average of exchange rates published by the National Bank of Poland on the last day of each month of the reporting period, divided by turnover of CFD in nominal value (in USD'000000).

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

	2021	2020	2019	2018	2017	2016
% share of operating income from institutional operations in total operating income	0,3%	13,2%	8,7%	6,5%	15,2%	7,8%



The level of volatility in financial and commodity markets in 2022, regulatory changes as well as other factors (if they occur) may affect the condition of XTB's institutional partners, transaction volume in lots, as well as XTB revenues from these clients.

- Due to the dynamic development of XTB, the Management Board estimates that in 2022 the total costs of operating activities may even be about a third higher than that observed in 2021. The priority of the Management Board is to further increase the client base and build a global brand. As a consequence of the implemented activities, marketing expenditure may increase by over 40% compared to the previous year.

The final level of operating costs will depend on the level of variable remuneration components paid to employees, the level of marketing expenditures, the dynamics of geographical expansion into new markets and the impact of potential product interventions and other external factors on the level of revenues generated by the Group.

The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures depends on their impact on the Group's results and profitability, the rate of foreign expansion and on clients responsiveness to the actions taken. The impact of a new product intervention on the Group's revenues will determine, if necessary, a revision of the cost assumptions.

- XTB with its strong market position and dynamically growing client base builds its presence in the non-European markets, consequently implementing a strategy on building a global brand. The XTB Management Board puts the main emphasis on organic development, on the one hand increasing the penetration of European markets, on the other hand successively building its presence in Latin America, Asia and Africa. Following these activities, the composition of the capital group will be expanded by new subsidiaries. It is worth mentioning that geographic expansion is a process carried out by XTB on a continuous basis, the effects of which are spread over time. Therefore, one should not expect sudden, abrupt changes in the results on this action. Currently, the efforts of the Management Board are focused on expansion into the markets of the Middle East and Africa.
- In January 2021, XTB established a subsidiary, XTB MENA Limited, based in the United Arab Emirates. It started operating at the end of July. As a result, clients from the Middle East region gained access to almost 2,0 thousand CFD financial instruments. Over time, this offer will be further developed and modified in response to the needs and preferences of local investors. As in other markets, in the UAE, XTB has placed a strong emphasis on education and collaboration with established local partners.

XTB MENA Limited is a regional hub through which XTB will reach clients from the entire MENA (Middle East and North Africa) with its offer of financial instruments. The Middle East and North Africa is a new geographic region in the Group's operations that XTB considers in the long term. It will take at least 9-12 months to evaluate the success of the project. The Group wants to gain the trust of clients from Arab countries so that it can systematically increase its presence in this region and, over time a leading player in this part of the world.

- In August 2021, the subsidiary XTB Africa (PTY) Ltd. received a license to operate in South Africa. Due to the prioritization of tasks, the intention of the Management Board is to start operating on this market not earlier than in the second half of 2022.
- The development of XTB is also possible through mergers and acquisitions, especially with entities that would allow the Group to achieve geographic synergy (complementary markets). Such transactions will be carried out, only when they will bring measurable benefits for the Company and its shareholders. XTB is currently not involved in any acquisition process.

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



3.6 Risk factors

3.6.1 Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken and for regularly setting appropriate limits to limit the scale of exposure to these risks.

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 Risk Management Committee, composed of members of the Supervisory Board, was appointed in the Parent Company. The Committee's tasks include: preparation of a draft document regarding risk appetite of the brokerage house, issuing opinions on management strategy developed by the Management Board, supporting the Supervisory Board in supervising the strategy of the brokerage house in risk management by the Management Board, verification of remuneration policy and principles of its implementation in terms of adjusting the remuneration system to the risk the brokerage house is exposed to, its capital, liquidity and probabilities and dates of obtaining 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 Company's internal control system.

The Parent Company's Supervisory Board approves procedures for internal capital estimation, capital management and planning.

In the reporting period, a significant change related to the risk management system concerned a new method of calculating capital requirements and resulted from the provisions of the Regulation of the European Parliament and of the Council (EU) 2019/2033 of November 27, 2019 on prudential requirements for investment firms.

3.6.2 Risk factors and threats

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

As at 31 December 2021 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:

- 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 financial instruments;
- 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 various regions of the world may be exposed to various risks specific to these regions;
- 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 negative impact on its operating activities.

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 and other supervisory authorities (including ESMA), 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 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 or buffers;
- 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, as well as fees related to the costs of the Financial Ombudsman and his office;
- 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;
- the risk related to the application of EU law on the implementation of remedial actions and the resolution of financial institutions.



3.6.3 Market risk

In the period covered by these consolidated financial statements, the Group entered into OTC contracts for differences (CFDs). The Group also acquires securities and may 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 financial 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.

3.6.4 Currency risk

The Group enters into transactions on the foreign exchange derivative contracts. In addition to transactions whose underlying is the exchange rate, the Group has instruments whose price or value is denominated in foreign currency.

Brokerage house also manages the market risk generated by the assets held in foreign currencies, the so-called currency positions. Currency position consists of own resources of Brokerage house denominated in foreign currencies in order to settle transactions on foreign markets and related to the conduct of foreign branches.

Accounting Department supervises the state of own funds on bank accounts. Risk Control Department is actively involved in setting limits related to market risk, monitors the effectiveness of the control systems of market risk, monitors adherence to internal limits.

3.6.5 Credit risk

Credit risk is mainly affected by the risks associated with maintaining cash both own and customers' on bank accounts, as well as maintaining a portfolio of debt instruments. The credit risk related to cash is limited by the choice of banks with high credit ratings awarded by international rating agencies and through diversification of banks in which accounts are opened. With regard to the portfolio of debt instruments, credit risk is limited by the choice of instruments issued or guaranteed by the State Treasury. Risk Control Department continuously monitors the probability of default and credit ratings of banks, undertaking where appropriate the actions described in internal procedures. The concentration of exposures is monitored daily in order to avoid excessive negative impact on the Company of single event in the field of credit risk.

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 house serve as a security. If a customer's current balance is equal or less than 50% 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.

Transactions made by clients on the regulated market practically does not generate relevant credit risk, since the vast majority of clients' orders is fully covered by the cash account.



3.6.6 Interest rate risk

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

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 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 interest rates on the interbank market. Therefore, the risk of interest rate mismatch adverse to the brokerage 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 fluctuations of market interest rates is very low. There is a slight sensitivity of financial result on changes of interest rates due to the Company's possession of Treasury Bond.

Additional costs may arise in the Group related to cash deposited in bank due to market negative interest rate.

3.6.7 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 Group takes into consideration current possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

Currently at the Brokerage house the value of the most liquid assets (own cash) far exceeds the value of liabilities, hence liquidity risk is relatively low. These values are continuously monitored.

3.6.8 Operational risk

Due to the dynamic development of the Parent Company, the expansion of product offerings and IT infrastructure, the Company to a large extent is exposed to operational risk, defined as the possibility of losses due to mismatch or failed internal processes, human and systems errors or external events, while the legal risk is considered to part of the operational risk.

The Brokerage house applies a number of procedures for the operational risk management, including business continuity plans of the Company, emergency plans and personnel policy. As in the case of other risks, the Company approaches to operational risk in an active way - trying to identify risks and take action to prevent their occurrence, or limiting their effects and an important element of this process is the analysis of the frequency of site and the type of events in the field of operational risk.

3.6.9 Hedge accounting

XTB does not apply hedge accounting.

3.7 Assessment of financial funds management

The Group manages its financial funds through ongoing monitoring of possibility 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 XTB 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. The essence of the model is to determine the safe area of the state of free cash flow that does not require corrective action.



When 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 Risk Control Department. 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 Finance and Accounting Department in order to make certain operations in the accounts. Operational activities related to liquidity management are also performed by the Trading Department and the Finance and Accounting Department.

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 Board. Information on deviations is transmitted to the Risk Control Department of the Parent Company.

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

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

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 in notes 37.3 and 38.3 to the Consolidated and Separate Financial Statements, respectively. 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.

In 2021, the Company did not issue any securities.

3.8 Material off-balance sheet items

Nominal value of financial instruments (off-balance sheet items) as at 31 December 2021 and 31 December 2020 was presented in notes 34 and 35, respectively to the consolidated and separate financial statements.

3.9 Financial forecasts

XTB S.A. did not publish any financial forecasts for 2021 (respectively consolidated and separate).

3.10 Dividend policy

The XTB dividend policy assumes recommendation by the Management Board to the General Meeting a dividend payment in the amount taking into account the level of net profit presented in the standalone annual financial report of the Company and a variety of factors relating to the Company, including prospects for further operations, future net profits, demand for cash, financial situation, the level of capital adequacy ratios, expansion plans, legal requirements in this area and PFSA guidelines. In particular, the Management Board, when submitting proposals for dividend payment, will be guided by the need to ensure an appropriate level of the Company's capital adequacy ratios and the capital necessary for the development of the Group.

Taking into account the position of the Polish Financial Supervision Authority published on December 9, 2021 regarding the dividend policy in 2022, it recommends the payment of dividends only by brokerage houses, which in particular:

- at the end of the second and third quarters of 2021 and as at 31 December 2021, they had a total capital ratio referred to in Article 9 (1)(c) Regulation (EU) 2019/2033 of the European Parliament and of the Council of November 27, 2019

on prudential requirements for investment firms (...), at a level of at least 175% - then it is possible to pay a dividend of no more than 100% net profit for 2021, or

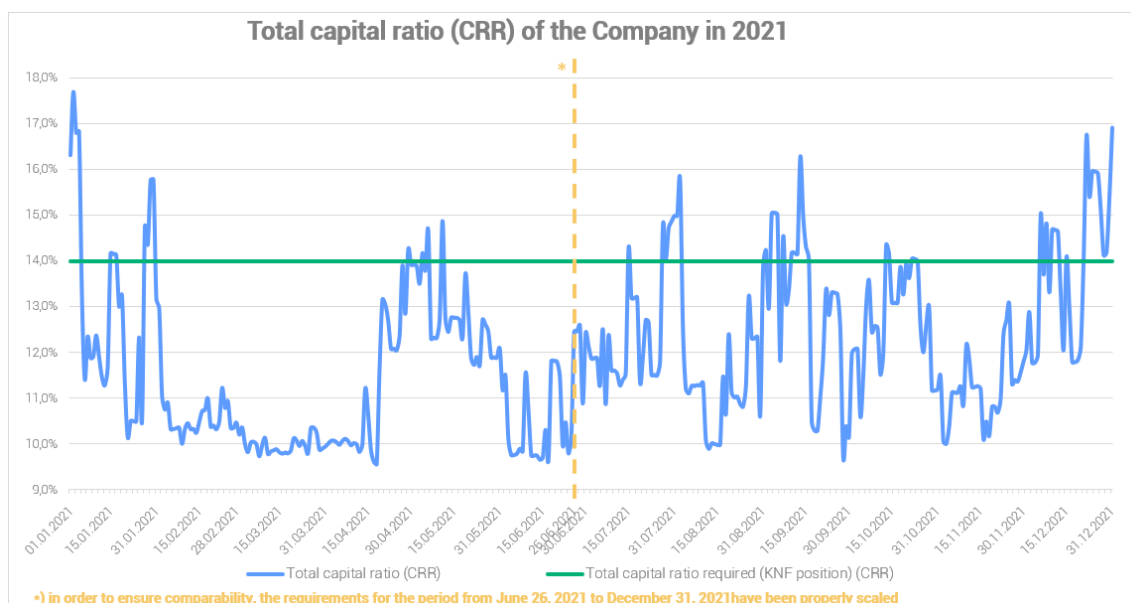
- as at December 31, 2021 they had the total capital ratio referred to in Article 9 (1)(c) Regulation (EU) 2019/2033 of the European Parliament and of the Council of November 27, 2019 on prudential requirements for investment firms (...), at a level of at least 175% - then it is possible to pay a dividend of no more than 75% net profit for 2021;
- received the last final BION grade of 1 or 2.

On June 28, 2021, the Company received a supervisory grade (BION) of 2 [2,46] from the Polish Financial Supervision Authority. The rating was given as at December 31, 2020. This rating is at the level of the criteria recommended by the Polish Financial Supervision Authority, which should allow the Company to potentially pay a dividend for 2021 in accordance with this criterion.

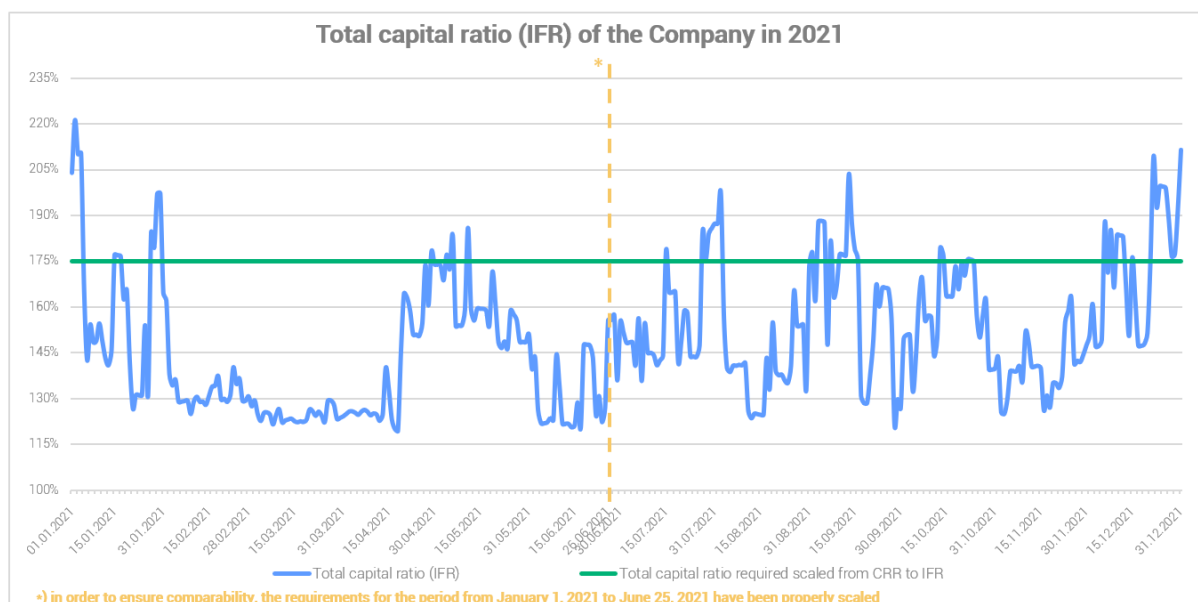
From June 26, 2021, XTB applies capital adequacy monitoring in accordance with Regulation (EU) 2019/2033 of the European Parliament and of the Council of November 27, 2019 on prudential requirements for investment firms and amending Regulations (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014, hereinafter referred to as the "IFR Regulation". It replaced, in the case of XTB, the Regulation of the European Parliament and of the Council (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012, hereinafter referred to as the "CRR Regulation". Both regulations require maintaining an appropriate ratio of own funds to the risk incurred - in the case of the CRR Regulation, its measure was the total risk exposure, and the total capital ratio could not be lower than 8%, while in the case of the IFR Regulation, the total measure of the risk incurred is the highest of the values: (i) a fixed overhead requirement, (ii) a fixed minimum capital requirement, or (iii) a "K-factor" requirement related to customer risk, market risk and firm risk; in the case of the IFR Regulation, the ratio of total own funds cannot be lower than 100%.

In order to ensure comparability, the requirements from previous periods have been properly scaled; however, it should be noted that the value of the total risk exposure calculated in accordance with the CRR Regulation is calculated in a different way than the value of the capital requirement calculated in accordance with the IFR Regulation.

The chart below presents the value of the total capital ratio (CRR) in 2021.



The chart below presents the value of the total capital ratio (IFR) in 2021.



The total capital ratio informs about the ratio of own funds to risk-weighted assets, in other words, it shows whether the brokerage house is able to cover the minimum capital requirement for market, credit, operational and other risks with its own funds. At the end of 2021, the total capital ratio in the Company was 211,5% (the equivalent under the CRR Regulation 16,9%).

The Management Board maintains that its intention is to recommend to the General Meeting in the future to adopt resolutions on the payment of dividends, taking into account the factors indicated above, in the amount ranging from 50% to 100% of the Company's standalone net profit for a given financial year. The unit net profit for 2021 amounted to PLN 234 841 thousand. Taking into account the criteria set out by the Polish Financial Supervision Authority in the position published on 9 December 2021, in 2022 it is possible to pay dividends by XTB in the maximum amount of up to 75% of the profit for 2021.

The table below contains information on the standalone net profit of the Company and the general amount of dividend paid for the financial years indicated therein.

	FOR THE YEAR ENDED (IN PLN'000)	
	31.12.2020	31.12.2019
Net profit of the Company	418 176	54 145
Dividend	210 117	28 172

Pursuant to the decision of the General Meeting of Shareholders of the Company, the net profit for 2020 in the amount of PLN 418 176 thousand was partly allocated to the payment of a dividend in the amount of PLN 210 117 thousand, the remaining part of the profit was transferred to the reserve capital.

The value of the dividend per share paid for 2020 was PLN 1,79. The dividend was paid on April 30, 2021.



4. Corporate Governance

4.1 Set of rules of corporate governance applied by XTB S.A.

Acting pursuant to § 70 section 6 point 5 in connection with § 72 section 4 of the Regulation on current and periodic information (...), the Management Board of XTB S.A. provides a declaration on the application of corporate governance principles in 2021.

Best Practice of WSE Listed Companies

In 2021, XTB S.A. complied with the corporate governance principles set out in the document "Best Practices of WSE Listed Companies 2016" adopted by the Warsaw Stock Exchange Council on October 13, 2015, which entered into force on January 1, 2016 and were in force until the end of mid-2021 and from the second half of 2021 XTB S.A. adheres to the principles of corporate governance expressed in the document "Code of Best Practice for WSE Listed Companies 2021" adopted by the Stock Exchange Supervisory Board by Resolution No. 13/1834/2021 of March 29, 2021. The current content is available on the website devoted to the principles of corporate governance of companies listed on the WSE at: www.gpw.pl/dobre-praktyki.

On the website of XTB S.A., in the Investor Relations section, there is information on the company's application of the recommendations and principles contained in the Code of Best Practice for WSE Listed Companies 2016 and the Code of Best Practice for WSE Listed Companies 2021.

In 2021, XTB S.A. complied with the principles set out in the Best Practice of WSE Listed Companies 2016, excluding recommendation IV.R.2 and 2 detailed rules: I.Z.1.20, IV.Z.2.

In relation to the recommendation contained in Chapter IV, point 2, as follows:

"If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting,
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary."

The Company identifies threats to the proper conduct of the General Meeting, especially legal risks, which in the opinion of the Company would exceed the potential benefits. Slight dissemination of practice of conducting the general meetings by means of electronic communication and inadequate preparation of the market may lead to increased risk of organizational and technical problems that might disrupt the proper running of the general meeting, as well as the risk of a possible undermining of the adopted resolutions of the general meeting, in particular due to technical defects. Due to the above, the Company does not apply on a permanent basis of this recommendation.

With regard to the rules contained in Chapter I, point 1.20, as follows:

"A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: an audio or video recording of a general meeting."

The Company has not adopted the use of this principle for the same reasons, which are described above.

With regard to the rules contained in Chapter IV, point 2, as follows:

"If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings."

The Company has not adopted the use of this principle for the same reasons as described in case of recommendation IV.R.2.

Due to the applicable the new corporate governance rules in force from the second half of 2021 and the changes made by the Company to internal regulations adjusting their content to the new corporate governance rules, as at the date of publication of this report, the Company complies with the rules set out in the Best Practices of WSE Listed Companies 2021, with the exception of three rules: 2.1., 2.2. and 2.11.6.

Regarding the following specific rule:



"2.1. A company should have a diversity policy towards the management board and supervisory board, adopted respectively by the supervisory board or the general meeting. The diversity policy defines the goals and criteria of diversity, among others in such areas as gender, field of education, specialist knowledge, age and professional experience, as well as indicates the date and method of monitoring the achievement of these goals. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is the participation of a minority in a given body at a level not lower than 30%."

The Company implements the "Diversity Policy with regard to members of the management board of XTB S.A." approved by the Supervisory Board, however, it does not provide for a minority share in the body at a level of no less than 30%. The company does not have a diversity policy towards the supervisory board adopted by the general meeting. It is worth noting that the members of the Company's governing bodies are specialists in various areas of knowledge and have diverse industry experience corresponding to the currently performed function. The company places emphasis on employing employees based on the multitude of qualifications and competences in terms of education, professional experience and skills of the selected managerial staff in order to ensure comprehensive and reliable performance of the tasks entrusted to it.

Regarding the following specific rule:

"2.2. The decision-makers on the appointment of members of the management board or supervisory board of a company should ensure the versatility of these bodies by selecting persons who ensure diversity in their composition, enabling, inter alia, achieving the target minimum minority participation rate set at a level of no less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1."

The composition of the Company's Supervisory Board is the result of decisions made by the General Meeting, and the determination of the composition of the Company's Management Board is within the competence of the Supervisory Board. When selecting members of the management board or supervisory board of the Company, the decisive persons take into account the current needs of the enterprise, applying substantive criteria and taking into account the need to ensure the versatility of these bodies by selecting people to ensure diversity to their composition. A necessary condition for all candidates is their substantive preparation to perform a given function, appropriate professional experience and selection of competences, as well as education. The individual competences of the members of the Company's governing bodies complement each other in such a way as to ensure an appropriate level of collective management in the organization.

Regarding the following specific rule:

"2.11. In addition to the activities resulting from legal regulations, the supervisory board prepares and presents an annual report for approval to the ordinary general meeting once a year. The report referred to above shall contain at least:

2.11.6. information on the degree of implementation of the diversity policy in relation to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1."

The principle is not applied due to the non-application of principle 2.1.

Principles of Corporate Governance of the PFSA

On July 22, 2014 the Polish Financial Supervision Authority issued the Principles of Corporate Governance for Supervised Institutions.

In accordance with the PFSA Corporate Governance Principles, a supervised institution should strive to apply the principles set out in the Corporate Governance Rules of the Polish Financial Supervision Authority to the widest extent, taking into account the principle of proportionality resulting from the scale, nature of the business and the specifics of the institution. However, the withdrawal from the application of specific rules to the full extent can only occur if their comprehensive introduction would be unduly burdensome for the supervised institution.

On 18 December 2014, the Management Board adopted a resolution regarding the application of the Corporate Governance Rules of the Polish Financial Supervision Authority. The application of the Corporate Governance Rules of the Polish Financial Supervision Authority was confirmed by a resolution of the Extraordinary General Meeting of Shareholders of 28 January 2015.

The Company applies the Corporate Governance Rules of the Polish Financial Supervision Authority to the extent to which they define the rules of functioning of brokerage houses and are consistent with the generally applicable provisions.

The PFSA Corporate Governance Principles, as expected by the PFSA, were implemented by the Company as of 1 January 2015. In the reporting period, the Company applied the PFSA Corporate Governance Rules, with the following reservations:

- The principle set out in § 8 section 4 of the Corporate Governance Code of PFSA to the extent that it imposes on the supervised institution the obligation to facilitate the participation of all shareholders in the assembly of the supervisory



body, inter alia by ensuring the possibility of electronically active participation in the meetings of the decision-making body.

Pursuant to the Articles of Association, participation in the General Meeting using electronic means of communication will be provided by the Company, if the announcement on convening the General Meeting will contain information about the possibility of shareholders participating in the General Meeting using electronic means of communication.

- The principle set out in § 21 section 2 of the Corporate Governance Code of PFSA to the extent it stipulates that the election of the chairman of the supervisory body should be made on the basis of experience and the ability to manage such body, taking into account the independence criterion.

Pursuant to the Articles of Association, Jakub Zabłocki has the right to appoint and dismiss one member of the Supervisory Board acting as the Chairman of the Supervisory Board by way of a written statement on the appointment or dismissal of the Chairman of the Supervisory Board delivered to the Company. Therefore, compliance with the above rule will depend on Jakub Zabłocki.

4.2 Equity

As at December 31, 2021 and as at the date of submitting this annual report, the share capital of XTB S.A. consisted of 117 383 635 A-series ordinary shares. Nominal value of each XTB S.A. share is PLN 0,05.

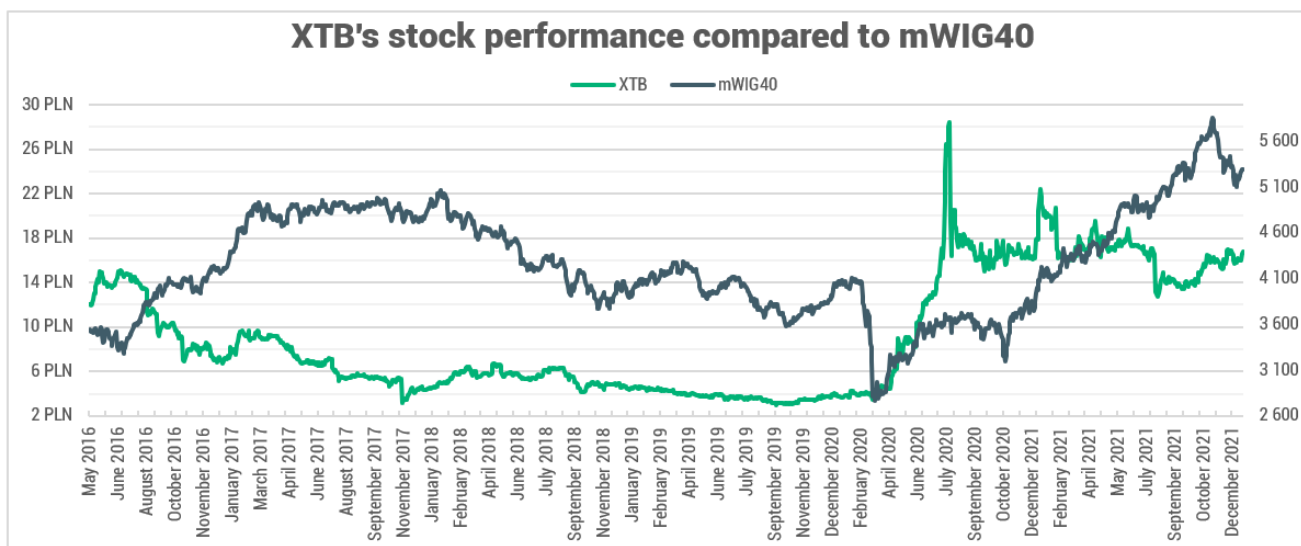
4.3 Shares on the stock exchange

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

XTB's share price

XTB S.A. made its debut on the Warsaw Stock Exchange on May 6, 2016. The company is listed on the main market.

On September 3, 2020 XTB joined the mWIG40 index. The maximum price of XTB shares in 2021 was PLN 22,40 on January 7, 2021 (according to the closing prices). The price low of PLN 12,78 was marked on August 3, 2021.





4.4 Shareholding structure

4.4.1 Shareholding structure at the end of the reporting period

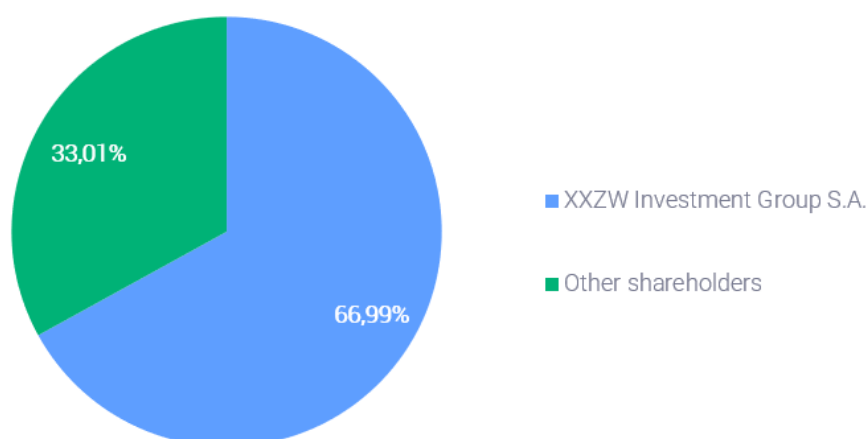
To the best knowledge of the Management Board of the Company as at 31 December 2021, the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

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

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

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

The shareholding structure as at 31 December 2021 is presented in the following chart:



4.4.2 Changes in the shareholding structure after the balance sheet date

To the best knowledge of the Management Board of the Company as at the date of publishing this periodic report, the status of shareholders holding directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Entity did not change compared to the status as at 31 December 2021.

4.5 Acquisition of own shares

In the financial year 2021, the Company and its subsidiaries did not acquire the shares of XTB S.A.

4.6 Holders of securities with special control rights

In the 2021 financial year and as at the date of publication of this report, there were no securities that would give special control rights to the Company.



4.7 Restrictions on exercising the voting right

In the 2021 financial year and as at the date of publication of this report, there were no limitations to the exercise of voting rights attached to the Company's securities.

4.8 Restrictions on the transfer of ownership of shares

As at the balance sheet date and the publication date of this report, there were no restrictions on the transfer of ownership of securities.

4.9 Agreements as a result of which changes may occur in the future in the proportions of shares held by the current shareholders

As at the date of publication of this annual report, the Company is not aware of any events that may result in future changes in the proportions of shares held by existing shareholders.

4.10 Management Board

The governing body of the Company is the Management Board.

4.10.1 Composition, changes and election of the Management Board

The rules for appointing and dismissing Management Board members and their rights are specified in the Company's Articles of Association. Pursuant to the Articles of Association of the XTB, the composition of the Management Board may include from three to six members, including the President of the Management Board and two Vice Presidents of the Management Board.

In accordance with its Articles of Association, at least two members of the Management Board need to have:

- higher education,
- at least three years of experience of working for financial market institutions
- a good opinion in connection with the positions held thereby.

Articles of Association of the Company is available on the Company's website ir.xtb.com in the Investor Relations section.

Members of the Management Board are appointed and dismissed by the Supervisory Board. The number of members of the Management Board is determined by the Supervisory Board in the resolution on appointing members of the Management Board. A member of the Management Board may also be dismissed or suspended from office by resolution of the General Meeting.

The Management Board is appointed for a joint three-year term.

The mandates of members of the Supervisory Board shall expire on the date of the General Meeting which approves the financial statements of the Company for the last full year of their term of office and in other cases specified in the Code of Commercial Companies.



As at 31 December 2021 and as at the date of publication of this interim report, the composition of the Management Board was as follows:

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

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

The main information on the education, qualifications and previously held positions of the members of the Management Board are presented below:



Omar Arnaout

CEO and President of the Management Board. Mr. Omar Arnaout graduated in 2005 with a master's degree from the Warsaw School of Economics – Banking and Finance. He is associated with the Company since January 2007. In 2007-2009 he held the position of the Sales Dealer. In 2009-2010 he worked as the deputy director of the Romanian branch of XTB and in 2010-2012 as deputy director of the Italian branch of XTB. In 2012-2014 Mr. Omar Arnaout worked as the director of the foreign branches office at Noble Securities Dom Maklerski S.A. and in 2014, he also worked as Sales Director and Chairman of the Management Board of xStore sp. z o.o. In 2014-2016 he held the position of the Retail Sales Director in XTB Limited in the UK and in 2016 Mr. Omar Arnaout became the regional director of XTB for Poland, Hungary, Germany and Romania.



Filip Kaczmarzyk

Member of the Management Board responsible for Trading. Mr. Filip Kaczmarzyk is a graduate of the Warsaw School of Economics majoring in Quantitative Methods in Economics and Information Systems. He started his professional career at XTB S.A. in 2007 in the Trading Department on the position of Junior Trader. Since April 2009 he held the position of Deputy Chief Trader. In November 2010 he began working in the CFH Markets in London in the Customer Support Department. From May 2011 to May 2015 he worked at Noble Securities SA, initially as the Director of the OTC Instruments Trading Office, and from November 2012 as the Director of the Foreign Markets Department. Mr. Filip Kaczmarzyk returned to XTB in May 2015 for the position of the Director of Trading Department.



Paweł Szejko

Chief Financial Officer and Member of the Management Board at XTB. Mr. Paweł Szejko graduated from the Economy Academy and the Higher School of Banking in Poznań. Mrs. Paweł Szejko also studied at the Aarhus University in Denmark. He has the qualifications of a Polish statutory auditor and an ACCA certificate in international finance reporting. Mr. Paweł Szejko commenced his professional career in 2003 in the audit companies (BDO and PwC), auditing among others, financial institutions, including banks and investment funds. In 2008-2014 he held the position of finance director and also a member of the Management Board of P.R.E.S.C.O. GROUP S.A., managing the area of finance in the capital group, both at the national and international level. In October 2014 Mr. Paweł Szejko joined XTB and he took the position of CFO. Mrs. Paweł Szejko is responsible for financial matters in XTB group.



Jakub Kubacki

Member of the Management Board responsible for Legal. Mr. Jakub Kubacki graduated in 2009 as a Master of Law from Koźmiński University, then he completed his training advocate and in 2013 passed the Bar exam at the District Warsaw Bar Association he was admitted to the Bar. In 2010 he started his professional career at XTB in the Legal and Compliance Department, where since 2012 he has been the Compliance Officer. From 25 April 2018 he became the Director of the Legal Department. He specializes in capital market law. Mr. Jakub Kubacki is responsible for legal affairs and internal control in the XTB Group.



Andrzej Przybylski

Member of the Management Board responsible for Risk Management. Mr. Przybylski graduated in 1994 with a master's degree on Wrocław University of Technology and completed doctoral studies in economics at the Warsaw School of Economics in 2011. Since 1995, Mr. Przybylski has a stockbroker license. Professionally connected with brokerage houses and offices since 1995 until 1997 with DDM S.A. in Wrocław, then CBM WBK S.A., and until 1998 with Dom Maklerski BMT S.A. From 1998 he worked as a stockbroker specialist at CDM Pekao S.A. and then since 2002 as a risk management specialist. From 2007 to 2010 he worked at UniCredit CAIB Poland S.A. as a risk and compliance manager. From 2010 to 2013 he worked at ING TFI S.S. and ING Investment Management (Poland) S.A. as a senior specialist in risk management and performance measurement. From 2013 to 2014 he was the Director of business project part of launching a brokerage house and an expert on risk management at PGE Dom Maklerski S.A. From 2014 Mr. Przybylski became the Director of the Risk Management Department at XTB and from 1 May 2019 he became a Member of the Management Board at XTB.

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

4.10.2 Powers of the Management Board

The Management Board is authorized to conduct the affairs of the Company, represent the Company and any matters not reserved by law or the Articles of Association of the Company to the General Meeting or the Supervisory Board. The Management Board conducting the Company's affairs, makes decisions in the interest of the Company, shall draft the Company's development strategy and identifies the main goals of the Company.

All members of the Management Board are obliged and authorized to jointly conduct the Company's affairs.

President of the Management Board shall convene meetings of the Management Board and chair. Chairman of the Management Board may authorize other members of the Management Board to convene and preside over meetings of the Management Board. In the absence of the President Management, the meeting of the Management Board shall be convened by the oldest member of the Management Board.

In particular, the Management Board shall have the power and shall be required to:

- act on behalf of the Company and represent the Company in dealings with third parties,
- prepare periodic reports and statements of the Company within timeframes allowing for their publication in accordance with relevant laws,
- submit financial statements to a statutory auditor for the purpose of their audit or review,
- submit reports of the Management Board on the activities of the Company and the financial statements, including an opinion and report of the statutory auditor (if required by law), to the Supervisory Board for the purpose of evaluation,
- convene General Meetings, submit proposals to be considered by the General Meeting and prepare draft resolutions of the General Meeting in a timely manner,
- submit reports of the Management Board on the activities of the Company and the financial statements, including an opinion and report of the statutory auditor, for the last financial year, to the General Meeting for the purpose of consideration and approval,



- develop and adopt regulations related to the operations of the Company, unless such authority has been reserved for any other body of the Company,
- prepare draft annual budgets, including the budget of the Company, budgets of Subsidiaries and the consolidated budget of the capital group of the Company, to be presented for approval to the Supervisory Board,
- fulfil reporting obligations imposed on brokerage houses,
- any other matters not reserved for other bodies of the Company.

The Management Board does not have a special competence in the issue and redemption of XTB shares.

4.10.3 The operation of the Management Board

The Management Board operates on the basis of the Regulations of the Management Board.

Meetings of the Management Board shall be held not less than once a month at the headquarters of the Company or if all members agree, elsewhere on Polish territory. The Management Board may hold a meeting without being formally convened if all members are present at the meeting and no one objects to holding the meeting or any of the proposed items on the agenda. Management Board resolutions are passed by an absolute majority of votes cast, and in the case of an equal number of votes "for" and "against" the vote of the Chairman of the Board decides.

Board members may participate in adopting resolutions of the Board by casting their votes in writing through another member of the Management Board. Casting a vote in writing may not concern matters introduced to the agenda during the meeting of the Board. Resolutions may be passed in writing or using means of direct remote communication. The resolution is valid if all the members of the Board have been notified of the draft resolution.

In accordance with the Articles of Association, the President of the Management Board supervises the activities of the Management Board and determines the internal division of tasks and powers among particular members of the Management Board, specifically, the President of the Management Board may entrust the management of specific departments to particular members of the Management Board. Furthermore, the President of the Management Board calls and chairs meetings of the Management Board. The President of the Management Board may authorise other members of the Management Board to convene and chair meetings of the Management Board. In the absence of the President of the Management Board or if the position of the President of the Management Board is vacant, the meetings of the Management Board are convened by the oldest member of the Management Board. Additionally, special rights of the President of the Management Board in terms of managing the work of the Management Board may be determined in the Regulations of the Management Board.

Two members of the Management Board acting jointly are authorised to make representations on behalf of the Company.

4.10.4 Shares of the Company and related entitles held by the Members of the Management Board

Management Board Members did not have any shares of the Company at the end of the reporting period and as at the date of this report.

As at the end of the reporting period and as at the date of this report, Management Board Members did not have any rights to the Company's shares.

The Management Board Members did not own shares in related entities.



4.10.5 Positions held by the Management Board Members of the issuer in the Group companies

The following table provides information on the functions carried out by members of the Management Board of the parent company in the authorities of subsidiaries:

NAME AND SURNAME	COMPANY	FUNCTION
Paweł Szejko	Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. (formerly: X Trade Brokers Menkul Değerler A.Ş.)	Board Member
Omar Arnaout*	Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. (formerly: X Trade Brokers Menkul Değerler A.Ş.)	Board Member
Omar Arnaout	XTB Mena Limited	Board Member
Jakub Kubacki	XTB Mena Limited	Board Member

* Omar Arnaout has been Chairman of the Management Board of Tasfiye Halinde XTB Yönetim Danışmanlığı A.Ş. (former: X-Trade Brokers Menkul Değerler) from 17 February 2017.

Members of the Management Board of the parent company did not receive in 2021 and 2020 remuneration for performing functions in the bodies of subsidiaries. On 15 September 2020, the liquidation process of the company in Turkey began.

4.11 Supervisory Board

Supervisory Board shall supervise the operations of the Company in all areas of its operations.

4.11.1 Composition, changes and election of the members of the Supervisory Board

Pursuant to § 15 of the Articles of Association of the Company, the Supervisory Board consists of five to nine members. The Supervisory Board members are appointed for a joint three year term of office.

Composition and election of the Supervisory Board

In connection with the adoption of the new text of the Company's Articles of Association on November 19, 2021, until the registration of changes to the Company's Articles of Association, Members of the Supervisory Board were appointed and dismissed as follows:

- Jakub Zabłocki has the right to appoint and dismiss one member of the Supervisory Board, who is the Chairman of the Supervisory Board, by way of a written representation on the appointment or dismissal of the chairman of the Supervisory Board submitted to the Company; the above right which, within the meaning of Article 385 §2 of the Commercial Companies Code is classified as an "other method of appointment" of a member of the Supervisory Board, will be enjoyed by Jakub Zabłocki until such time that, through entities personally controlled thereby, within the meaning of the Accounting Act, or jointly with such entities or personally, he holds shares in the Company representing at least 33% of the overall number of votes at the General Meeting;
- SYSTEXAN, as long as it holds shares in the Company representing at least 10% of the overall number of votes at the General Meeting, will enjoy the personal right to appoint and dismiss one member of the Supervisory Board by way of a written representation on the appointment or dismissal of the given member of the Supervisory Board delivered to the Company;
- the other members of the Supervisory Board will be appointed and dismissed by the General Meeting

From the date of registration of changes to the Company's Articles of Association, Members of the Supervisory Board are appointed and dismissed as follows:

- Jakub Zabłocki has the right to appoint and dismiss one member of the Supervisory Board, who is the Chairman of the Supervisory Board, by way of a written representation on the appointment or dismissal of the chairman of the Supervisory Board submitted to the Company; the above right which, within the meaning of Article 385 §2 of the Commercial Companies Code is classified as an "other method of appointment" of a member of the Supervisory Board, will be enjoyed by Jakub Zabłocki until such time that, through entities personally controlled thereby, within the meaning of the Accounting Act, or jointly with such entities or personally, he holds shares in the Company representing at least 33% of the overall number of votes at the General Meeting;
- the other members of the Supervisory Board will be appointed and dismissed by the General Meeting.



The number of members of the Supervisory Board in a given term is determined by the General Meeting, and if the General Meeting does not reach other decision, the number of members of the Supervisory Board will be five. In the case of the election of the Supervisory Board by way of separate group voting in compliance with Article 385 of the Commercial Companies Code, the number of Supervisory Board members will be five.

The members of the Supervisory Board may elect from among themselves a Deputy Chairman of the Supervisory Board and a secretary of the Supervisory Board. Once Jakub Zabłocki loses his personal right referred to above, the members of the Supervisory Board will elect a Chairman of the Supervisory Board from amongst themselves.

The mandates of the Supervisory Board members shall expire on the date of the General Meeting approving financial statements for the last full year as a member of the Supervisory Board and in other cases specified in the Code of Commercial Companies.

As at 31 December 2021 and as at the date of submission of this report, the composition of the Supervisory Board was as follows:

NAME AND SURNAME	FUNCTION	STARTING DATE OF THE CURRENT TERM OF OFFICE	EXPIRATION DATE OF THE CURRENT TERM OF OFFICE
Jan Byrski	Chairman of the Supervisory Board	22.11.2021	19.11.2024
Jakub Leonkiewicz	Member of the Supervisory Board	19.11.2021	19.11.2024
Łukasz Baszczyński	Member of the Supervisory Board	19.11.2021	19.11.2024
Bartosz Zabłocki	Member of the Supervisory Board	19.11.2021	19.11.2024
Grzegorz Grabowicz	Member of the Supervisory Board	19.11.2021	19.11.2024

The main information on the education, qualifications and previously held positions of the members of the Supervisory Board are presented below:

**Jan Byrski,
Chairman of the
Supervisory Board**

Jan Byrski specializes in financial innovation law (FinTech), including in the payment and banking market and insurance, in the aspects of legal protection of information (personal data, professional secrets, business secrets), IT and TMT as well as conducting proceedings before the President of the National Bank of Poland, the President of the Polish Financial Supervision Authority and the President of the Personal Data Protection Office and cases before administrative courts. He advises companies and financial institutions from the Polish and international markets. Jan Byrski is a legal expert of the Polish Chamber of Insurance and the Foundation for the Development of Cashless Transactions. Member of the IAPP (International Association of Privacy Professionals) and the SABIHOD (Data Protection Officer Association, Poland) and Vice-President of the FinTech Committee of the Polish Chamber of Information Technology and Telecommunications (PIIT). He is a member of working parties at the PFSA Office on the development of financial innovation (FinTech) and MC working groups, including distributed registers and blockchain. He takes part in parliamentary work on the adaptation of Polish law to PSD 2, interchange fee regulation (IF Reg), the GDPR, and numerous amendments to the Act on the Protection of Personal Data and the Act on Payment Services. He is a speaker at conferences, seminars and training courses in Poland and elsewhere, and a member of the Consultative Council of the IT in Administration monthly.

He is the author and co-author of numerous academic and popular-science publications, including the monograph „Tajemnica prawnie chroniona w działalności bankowej” (Legally-Protected Secret in Banking Operations) (C.H. Beck 2010), which earned him the top award in the Scientiae Legis Excellentia contest for the best PhD dissertation on economic law organized by the National Bank of Poland, as well as the habilitation dissertation “Outsourcing w działalności dostawców usług płatniczych” (Outsourcing in the Activities of Payment Service Providers) (C.H. Beck 2018). He has also received individual recommendations in the Chambers & Partners Europe 2020 and 2021 Banking & Finance ranking, Regulatory Poland, FinTech Legal Poland 2020 and 2021, The Legal 500 EMEA 2020 and 2021 in the category Data privacy and data protection.

He is a professor in Economic Law of the Faculty of Finance at the Cracow University of Economics. He is a graduate of the Faculty of Law and Administration of the Jagiellonian University, and attended the School of German Law of the Jagiellonian University, University of Heidelberg, and the University of Mainz, and the School of Austrian Law of the Jagiellonian University and the University of Vienna. He studied at Ruhr-Universität Bochum on a scholarship awarded by the Foundation for Polish-German Cooperation. He has been on scholarships at the Ernst-Moritz-Arndt Universität Greifswald, Johann Gutenberg Universität Mainz, and Max-Planck-Institut für Immaterialgüter-und Wettbewerbsrecht.



A member of the Supervisory Board meets the independence criteria specified in § 20 paragraph 2 of the Articles of Association.

**Jakub Leonkiewicz,
Member of the
Supervisory Board**

Jakub Leonkiewicz started his professional career in 2001 in the business development department at Interhyp.de in Germany. In 2001-2002 he worked at Roland Berger Strategy Consultants in Germany. In the years 2002-2015 Jakub Leonkiewicz was associated with J.P. Morgan – first as an analyst in the merger and acquisition team in London and since 2012 as a director of J.P. Morgan in Warsaw, where he was responsible for J.P. Morgan's practice in Poland and the Baltic countries. From November 2015 to January 2017 and once again from May 2017 he is the Chairman of the XTB Supervisory Board. Currently, Mr. Jakub Leonkiewicz acts as a partner in Avia Capital private equity fund.

Jakub Leonkiewicz graduated in 2002 with a master's degree from the Warsaw School of Economics with a degree in finance and banking. Jakub Leonkiewicz participated in the CEMS Master Program (Community of European Management Schools) at the London School of Economics and was a scholarship holder at the Christian-Albrecht Universität zu Kiel.

Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

**Łukasz
Baszczyński,
Member of the
Supervisory Board**

Łukasz Baszczyński commenced his professional career in 1999 as a clerk in the District Court in Zgierz. From 2002 to 2006 he cooperated as an attorney with the law office of Kancelaria Radców Prawnych P. Stopczyk & R. Mikulski and as an assistant to the management board of Sarton Management sp. z o.o. He is a partner at the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. and a partner in Baszczyński & Dąbrowska Intellectual Property Law and a member of the supervisory board of Novama Cloud S.A.

Łukasz Baszczyński graduated from the Faculty of Law and Administration at the University of Lodz. In 2008, he was registered in the register of legal advisors and in 2010 in the register of advocates at the District Chamber of Advocates in Warsaw. Łukasz Baszczyński is entered in the list of candidates for members of supervisory boards of companies with the shareholding of the State Treasury.

Member of the Supervisory Board does not meet the independence criteria specified in § 20, section 2 of the Articles of Association.

**Bartosz Zabłocki,
Member of the
Supervisory Board**

Bartosz Zabłocki started his professional career in 2002 at Contract Administration sp. z o.o. where until 2007 he was the specialist for brand protection. Since 2005 he is a partner in the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. Since 2006, Bartosz Zabłocki has been running his own business: "Globetroter Bartosz Zabłocki". From March 2021, he is a Member of the Management Board of Kamienica sp. z o.o.

Bartosz Zabłocki graduated from the Department of Law and Administration at the University of Lodz.

Member of the Supervisory Board does not meet the independence criteria specified in § 20, section 2 of the Articles of Association.

**Grzegorz
Grabowicz, Member
of the Supervisory
Board**

Grzegorz Grabowicz has been a Member of the Management Board and Financial Director at Mabion S.A. since January 2019. Grzegorz Grabowicz gained knowledge and experience in management while working: over the period 1998 – 2003 in the Audit Department at Deloitte, in 2003 as Financial Controller at BFF Polska S.A. (formerly: Magellan S.A.), over the period 2004 – 2017 as Financial Director at BFF Polska S.A. and Vice President of the Management Board at BFF Polska S.A. Between 2010 and 2013 he worked as President of the Management Board of MEDFinance S.A. In the years 2007 – 2017 was a Member of the Supervisory Board of Magellan Czech Republic and Magellan Slovakia. Over the period 2013 – 2017 he was a Chairman of the Supervisory Board of MEDFinance S.A. From 2014 to October 2018 Mr Grzegorz Grabowicz was a Member of the Supervisory Board of Skarbiec Holding S.A. From October 2017 to August 2020 he was a Member of the Supervisory Board of Develia S.A. (formely: LC Corp S.A.) and from June 2018 to May 2019 he was a Member of the Supervisory Board of Medicalgorithmics S.A. From May 2020, he is a member of the Supervisory Board of PRAGMAGO S.A.

In 1998 he graduated from the University of Lodz, Faculty of Management and Marketing, specialisation in Accounting, and received a Master's degree in Management and Marketing. In 2010 he completed a programme organised by the Nottingham Trent University and the WSB at the



University in Poznań and receive the EMBA (Executive Master of Business Administration) degree. Grzegorz Grabowicz is also a Statutory Auditor.

Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

In 2021, members of the Company's Supervisory Board devoted an appropriate amount of time to performing their duties. In 2021, the Supervisory Board held ten meetings. In 2021, 53 resolutions were adopted at the meetings of the Supervisory Board and by circulation. The average attendance was 94%.

The following changes to the composition of the Supervisory Board took place in the reporting period:

- on October 15th, the Company received a statement from Mr. Jarosław Jasik, dated October 8th, 2021, about his resignation from applying for the next term of office of the Issuer's Supervisory Board for personal reasons. Mr. Jarosław Jasik performed the function of a Member of the Supervisory Board until November 10, 2021;
- Mr. Jakub Leonkiewicz served as the Chairman of the Supervisory Board until November 10, 2021;
- on November 22, 2021, the Company received a statement from Mr. Jakub Zabłocki, according to which, while exercising the right specified in § 15 sec. 4 [a] of the Company's Articles of Association, Mr. Jakub Zabłocki appointed Mr. Jan Byrski to the position of Chairman of the Supervisory Board for the joint term of office of the Supervisory Board from November 22, 2021 to the end of November 19, 2024.

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

4.11.2 Powers of the Supervisory Board

The Supervisory Board shall exercise permanent supervision over the operations of the Company in all areas of such operations.

Apart from the matters reserved for the competence of the Supervisory Board by the Code of Commercial Companies, the Supervisory Board shall be responsible, in particular, for:

- evaluation and review of the financial statements for the last financial year and evaluation of the report of the Management Board on the activities of the Company for the last financial year, in terms of their compliance with accounting books and documents, as well as the actual state of affairs, and review of the distribution of profits or covering the losses proposed by the Management Board;
- submitting to the General Meeting of the annual written report on the results of the review and evaluation referred to in point above;
- suspending members of the Management Board in their activities, for material reasons;
- determining conditions of remuneration and employment of members of the Management Board;
- appointing committees referred to in §18 of the Regulations of the Supervisory Board;
- granting consent to the payment of interim dividends;
- approving annual budgets, including the budget of the Company, the budgets of the Subsidiaries, and the consolidated budget of the capital group of the Company;
- appointing an independent external auditor for the Company and the Subsidiaries;
- granting consent to the provision of sureties, guarantees or other forms of collateral for third-party liabilities, excluding any events which are directly and closely related to the operations of the Company, which shall be understood as any activities directly related to the current brokerage activities performed by the Company and the Subsidiaries, and in particular those related to trading in foreign exchange contracts, contracts for difference and any other instruments in the OTC market, including any marketing activities (the "Operations of the Company");
- granting consent to establishment of pledges, mortgages, assignments by way of security, and any other encumbrances on the assets of the Company or the Subsidiaries, not provided for in the budget;
- granting consent to the acquisition, subscription or disposal by the Company or any of the Subsidiaries any shares or stocks in other companies, or any assets or organised part of the enterprise of another company or other companies, or to mergers with (or demergers from) other companies or enterprises by the Company or any of the Subsidiaries, excluding any agreements concluded within the framework of Operations of the Company, if such acquisition, subscription or disposal does not exceed 5% of the share capital of such other company;
- granting consent to the sale, encumbrance, leasing or any other disposal of the real estate of the Company or any of its Subsidiaries, not provided for in the budget approved by the Supervisory Board;
- granting consent to the conclusion of agreements between the Company or any of its subsidiaries and the members of the Managements Board, the Supervisory Board or shareholders of the Company, or any related party, with any



- member of the Management Board, the Supervisory Board or any shareholder of the Company, excluding any agreements concluded within the framework of Operations of the Company;
- expressing an opinion on changes to the investment policy of the Company, if any such change would result in the increase, by more than 50%, of the maximum exposure of the Company to market risk, unless the revenues of the Company, as planned in the budget approved by the Supervisory Board, were to increase by more than 50%, and in this case, such an opinion of the Supervisory Board shall be required if the percentage of the increase in the exposure exceeds the percentage of the increase in the revenues, as planned in the budget;
- granting members of the Management Board consent for competitive interests, within the meaning of article 380 of the Code of Commercial Companies;
- granting consent to the disposal by the Company of any right or incurring a liability with a value exceeding EUR 1 000 000 (one million), if any such disposal or liability has not been provided for in the budget approved by the Supervisory Board, including any disposal or liability related to repeated or continuous benefits/services, if the value of benefits arising therefrom exceeds EUR 1 000 000 (one million) per annum. In the event that the total value of all such disposals and liabilities made or incurred by the Company, and not provided for, or exceeding the value provided for, in the budget of the Company, exceeds in the calendar year the amount of EUR 3 000 000 (three million), the Management Board shall be required to request the Supervisory Board for its approval of any disposal of right or liability to be incurred which has not been provided for in the budget of the Company, regardless of the value thereof,
- granting consent to members of the Management Board to take office in the management or supervisory boards of companies from outside the capital group of the Company;
- granting consent to the appointment and dismissal of persons in charge of the internal audit and compliance departments of the Company,
- review and expressing opinion on matters to be discussed and put to a vote at the General Meeting.

4.11.3 The operation of the Supervisory Board

The Chairman of the Supervisory Board manages the work of the Supervisory Board and represents the Supervisory Board before other authorities of the Company. In the case of the absence of the chairman of the Supervisory Board or a vacancy in such position, the above-mentioned rights of the chairman of the Supervisory Board should be exercised by a member of the Supervisory Board authorised thereby to exercise such rights, and if no such authorisation has been granted, by the eldest member of the Supervisory Board.

The Chairman of the Supervisory Board or a member of the Supervisory Board authorised thereby convenes the meetings of the Supervisory Board and chairs such meetings, and if the chairman of the Supervisory Board has not granted the relevant authorisation, the right to convene and chair the meetings is enjoyed by the eldest member of the Supervisory Board. A meeting of the Supervisory Board may also be convened by two members of the Supervisory Board acting jointly.

The Management Board or a member of the Supervisory Board may demand that a meeting of the Supervisory Board be convened by presenting the proposed agenda. Such meeting of the Supervisory Board should be convened for a date falling no later than the 14th day from the date of submitting the request, provided that, if reasonable circumstances exist preventing the presence of at least half of the members of the Supervisory Board at the meeting within the above mentioned deadline, the meeting of the Supervisory Board may be convened not later than within 30 days from the date of filing the application.

Resolutions of the Supervisory Board may also be adopted in writing by circulating the resolution or by using means of direct remote communication.

Members of the Supervisory Board may participate in the adoption of resolutions of the Supervisory Board by casting their vote in writing and delivering it through another member of the Supervisory Board. Such method of voting may only be used when voting on matters already on the agenda of a meeting of the Supervisory Board.

The detailed procedure for the operation of the Supervisory Board and the organisation thereof is set out in the Regulations of the Supervisory Board.

Resolutions of the Supervisory Board will be valid if all of the members of the Supervisory Board have been invited to and at least half are present at a Supervisory Board meeting, including the chairman or a deputy chairman of the Supervisory Board.

The Supervisory Board resolutions are passed by a simple majority. In case of equal number of votes, the vote of the Chairman of the Supervisory Board decides.



4.11.4 Shares of the Company and related entities held by the Supervisory Board Members

Supervising persons did not hold shares of the Company.

The supervising persons did not own shares in related entities.

4.11.5 Positions held by the Supervisory Board Members of the Issuer in the Group companies

Members of the Supervisory Board of the Parent Company did not hold in the reporting period at the same time functions in the bodies of subsidiaries.

4.11.6 Committees of the Supervisory Board

The following committees operate within the Supervisory Board:

- Audit Committee;
- Remuneration Committee;
- Risk Management Committee;
- Nomination Committee.

The duties of the Remuneration Committee, Risk Committee and Nomination Committee are performed by all of the members of the Supervisory Board collectively pursuant to a resolution adopted thereby. From the date of 13 October 2017 the Audit Committee functions as a separate committee, before that date, the duties of the Audit Committee are performed by all of the members of the Supervisory Board.

The Supervisory Board may also appoint other committees. The detailed duties and procedures for the appointment and operation of the committees are provided for in the Regulations of the Supervisory Board.

Audit Committee

In the period from January 1, 2021 to February 24, 2021, the Audit Committee was composed of the following composition:

- Grzegorz Grabowicz – Chairman of the Audit Committee;
- Jakub Leonkiewicz – Member of the Audit Committee;
- Łukasz Baszczyński – Member of the Audit Committee;
- Bartosz Zabłocki – Member of the Audit Committee;
- Jarosław Jasik – Member of the Audit Committee.

In the period from February 24, 2021 to December 31, 2021, the Audit Committee was composed of the following composition:

- Grzegorz Grabowicz – Chairman of the Audit Committee;
- Jakub Leonkiewicz – Member of the Audit Committee;
- Bartosz Zabłocki – Member of the Audit Committee.

Basic assignments taken by the Audit Committee:

- monitoring the financial reporting process;
- monitoring Company's SLC systems, SIC systems, SIA systems including SRM;
- monitoring the performance of financial audit activities, particularly an audit performed by an audit firm, taking into account any conclusions and findings of an inspection carried out at the audit firm;
- checking and monitoring the independence of the statutory auditor of permitted non-audit services;
- presenting to the Supervisory Board offers of audit firms and recommending the selection of a company to conduct audits of financial statements;
- informing the Supervisory Board on the results of the audit and explaining in what way the audit contributed to the honesty of the financial reporting process in the Company, as well as what was the role of the audit committee in the audit process;
- monitoring the independence of the statutory auditor and granting consent for performance of services permitted by him other than financial audits;



- establishing an audit firm selection policy and regularly reviewing this documents;
- establishing the policy for conducting permitted non-audit services by an audit firm carrying out the statutory audit, entities related to this audit firm and any member of the network to which the audit firm and regularly reviewing this documents;
- establishing the procedure of an audit firm selection and regularly reviewing this documents;
- presenting the recommendation regarding selection of the certified auditors or audit firms to the Supervisory Board;
- providing recommendations to ensure reliability of the public-interest entity's financial reporting process;
- adoption of the report on the activities of the Audit Committee for the previous year.

Regarding XTB Audit Committee:

- **members who meet the independence criteria:**

In 2021 in the members of the Audit Committee fulfilled the criteria of independence specified in article 129 item 3 of the Act of 11 May 2017 in auditors, audit firms and public supervision:

- Grzegorz Grabowicz –Chairman of the Audit Committee;
- Jakub Leonkiewicz –Member of Audit Committee.

- **members with knowledge and skills in the field of accounting or auditing of financial statements, with an indication of how to acquire them**

The persons listed below, who are members of the Audit Committee, acquired as a result of the described education and professional experience knowledge and skills in the field of accounting or auditing of financial statements:

- Grzegorz Grabowicz graduated from the University of Lodz, Faculty of Management and Marketing, specialisation in Accounting, and received a Master's degree in Management and Marketing in 1998. In 2010 he completed a programme organised by the Nottingham Trent University and the WSB at the University in Poznań and receive the EMBA (Executive Master of Business Administration) degree. Grzegorz Grabowicz is also a Statutory Auditor. Over the period has worked in the Audit Department at Deloitte, in 2003 he was a financial controller at BFF Polska S.A. (formerly Magellan S.A.), in the years 2004 - 2017 he was the financial director at BFF Polska S.A.;
- Jarosław Jasik (member of the Audit Committee until February 24, 2021) graduated from the Faculty of Finance and Statistics at the Warsaw School of Economics, he completed post-graduate studies in management and finance at the Warsaw School of Economics. From 2002 to 2003 he participated in a programme for the management of PZU S.A. at the Herriot-Watt University in Edinburgh. He has a broad experience in financial management;
- Jakub Leonkiewicz graduated in 2002 with a master's degree from the Warsaw School of Economics with a degree in finance and banking. Jakub Leonkiewicz participated in the CEMS Master Program (Community of European Management Schools) at the London School of Economics and was a scholarship holder at the Christian-Albrecht Universität zu Kiel. He gained his professional experience in Roland Berger Strategy Consultants in Germany and also in J.P. Morgan;

- **members with knowledge and skills in the industry in which the issuer operates, with an indication of how to acquire them**

- Jakub Leonkiewicz - for over 6 years he has been a member of the Supervisory Board of XTB, which allowed him to learn in detail about the financial industry and the specification of brokerage activities on the stock market and the OTC market (currency derivatives, commodities, indices, stocks and bonds) operated by XTB. Additionally, in 2001-2002 he worked for Roland Berger Strategy Consultants in Germany. In the years 2002-2015 he was related with J.P. Morgan - first as an analyst in the M&A team in London, and from 2012 as director of J.P. Morgan in Warsaw, where he was responsible for the practice of J.P. Morgan on Poland and the Baltic countries. Currently, he is a partner in the private equity fund Avia Capital;
- Łukasz Baszczyński (member of the Audit Committee until February 24, 2021) – for over 12 years he has been a member of the Supervisory Board of XTB, which allowed him to learn in detail about the financial industry and the specification of brokerage activities on the stock exchange and OTC market (currency derivatives, commodities, indices, stocks and bonds) operated by XTB. In addition, he is a partner in Kancelaria Prawna P. Grzelka & Wspólnicy sp.k., partner in Baszczyński & Dąbrowska Intellectual Property Law and a member of the Supervisory Board in Novama Cloud S.A.;
- Jarosław Jasik (member of the Audit Committee until February 24, 2021) – he was a member of the Supervisory Board until November 10, 2021;



- Bartosz Zabłocki – for over 6 years he has been a member of the Supervisory Board of XTB, which allowed him to acquire relevant knowledge in the industry. Since 2005, he has been a partner in the Law Firm of P. Grzelka & Wspólnicy sp.k.
- **information on providing services by audit firm examining financial statement permitted non-audit services and on conducted assessment of independency of audit firm and expressed consent for providing these services**

In 2021, the auditing company PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. performed the following permitted non-audit services:

- review of the condensed interim financial statements and the condensed interim consolidated financial statements for the period from January 1, 2021 to June 30, 2021;
- review of the process of storing the assets of the Company's clients as at December 31, 2021;
- assurance service for compliance with the applicable requirements of the remuneration report prepared by the Supervisory Board of the Company for the year ended December 31, 2021.

The above services were performed on the basis of the consent of the Supervisory Board after prior familiarization with the recommendation of the Audit Committee of May 4, 2021.

The Audit Committee approved the employment of an auditing company (ie PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k.) to perform the above-mentioned permitted non-audit services. Prior to submitting relevant recommendations to the Audit Committee, the independence of the auditor's services in the process of auditing statements was positively verified.

- **the main assumptions of the developed policy of selecting an audit firm to conduct the audit and the policy for the provision of permitted non-audit services by the audit firm conducting the audit, entities related to this audit firm and by a member of this audit firm's network**

On 13 October 2017 Supervisory Board approved:

- Procedure of selecting an audit firm;
- Policy of selecting an audit firm;
- Policy for the provision of permitted non-audit services by the audit firm.

Procedure for selection an audit firm:

The purpose of the Procedure is to describe the process of selecting an audit firm. This procedure contains the following elements:

- offer inquiry;
- evaluation of offers;
- selection of the offer;
- conclusion of the agreement or repeated selecting.

Policy for selection of audit firm:

The purpose of the Policy is to define rules and criteria for selection of audit firm, which will conduct audit in the Company. It describes:

- selection criteria for entities authorized to conduct the audit;
- evaluation criteria of offers received;
- criteria for the independence assessment carried out by the Audit Committee;
- rules for submitting and selecting offers.

Criteria for selecting an audit firm included in the Policy:

1. The Company will each time send requests for proposals to the following audit companies: EY, PwC, KPMG and Deloitte.
2. The Management Board of the Company is entitled to submit inquiries to audit firms other than those listed in point 1, provided that they are reputable international audit companies.
3. In order to ensure the independence of the statutory auditor and the audit firm, the selection of the audit firm is made taking into account the rotation rules of the audit firm and the key statutory auditor resulting from the Act. on statutory auditors and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements for statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909 / EC, in particular:
 - a) the maximum uninterrupted duration of statutory audit engagements referred to in Art. 17 sec. 1, second paragraph of the Regulation, carried out by the same audit firm or a related audit firm with this audit firm or



- any member of the network operating in the European Union countries to which these audit firms belong, may not exceed 10 years;
- b) the key statutory auditor may not conduct the statutory audit in the Company for a period longer than 5 years;
 - c) the key statutory auditor may re-conduct the statutory audit in the Company after at least 3 years from the end of the last statutory audit.
4. No inquiries are sent to the audit company that has carried out the Research for the previous 10 financial years.
5. Re-sending the inquiry to the audit company referred to in item 3 may take place after 4 years from the end of the last Research carried out by this company.

Policy for the provision of permitted non-audit services by the audit firm:

The purpose of the Policy is to define general principles on which the audit firm conducting audit may provide services to the Company or entities affiliated with the Company. The policy includes a catalogue of the permitted services.

- **recommendation regarding the selection of an audit firm to conduct the audit**

In 2021, the Supervisory Board of the Company selected the auditing company PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. to audit the Company's financial statements for the years 2021 – 2023, i.e. conducting reviews of the separate and consolidated interim financial statements of the Company for the six-month period ended June 30, 2021; June 30, 2022; June 30, 2023 and audits of the Company's annual separate and consolidated financial statements for the end of the year December 31, 2021; December 31, 2022; December 31, 2023. The selection of a new entity authorized to audit financial statements was carried out on the basis of the Company's Audit Firm Selection Policy and the Audit Firm Selection Procedure for the Audit of XTB Financial Statements. The essence of the procedure in question was the Audit Committee's analysis of the collected offers in terms of the requirements under the Act on Experts and the criteria and guidelines set out in the above-mentioned Policy. As a result of analysing and comparing the offers, the Audit Committee recommended two audit companies to the Supervisory Board, at the same time indicating the offer of PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp.k. as preferred.

Having read the recommendation, the Supervisory Board selected an entity preferred by the Audit Committee.

- **number of meetings of the Audit Committee or meetings of the Supervisory Board or other supervisory or controlling body dedicated to performing the duties of the Audit Committee**

In 2021, 8 meetings of the Company's Audit Committee were held.

Remuneration Committee

The function of the Compensation Committee in the Company is performed by the entire Supervisory Board. The tasks of the Compensation Committee include:

- expressing opinion on the variable remuneration components policy, including the amount of remuneration and the components of remuneration;
- expressing opinion on performing the variable remuneration components policy;
- expressing opinion on the Remuneration Policy for Members of the Management Board and Members of the Supervisory Board;
- expressing opinion on and monitoring of payment of the remuneration variable components to the persons holding managerial positions responsible for risk management, internal audit and compliance of the brokerage house's activity with law;
- determining list of the persons holding managerial positions in the Company, and;
- approving the planned amount of remuneration and the components of remunerations of the persons holding managerial positions.

In 2021, 5 meetings of the Remuneration Committee were held.

Risk Management Committee

The function of the Risk Management Committee is performed by the entire Supervisory Board in the Company. The main tasks include:

- developing a draft document regarding the risk appetite of a brokerage house;
- expressing opinions on the strategy of a brokerage house developed by the Management Board in the scope of risk management;
- supporting the Supervisory Board in monitoring the implementation of the brokerage house strategy in terms of risk management by the Management Board;



- verification of the remuneration policy and the rules of its implementation in terms of adjusting the remuneration system to the risk to which the brokerage house is exposed, its capital, liquidity and probabilities and dates of obtaining income.
- discussing and approving the Declaration of the Acceptable Level of Risk;
- discussing and approving the ICAAP report.

In 2021 2 meetings of the Risk Management Committee were held.

Nomination Committee

The function of the Nominating Committee is performed by the entire Supervisory Board. Its main tasks include:

- recommending candidates for the management board of the brokerage house, taking into account the necessary knowledge and skills as well as the experience of the management board as a whole, necessary to manage the brokerage house, and taking into account diversity in the composition of the management board of the brokerage house;
- defining the scope of duties for the candidate to the management board of a brokerage house, knowledge and skills requirements and anticipated commitment in terms of time spent, that is necessary to perform the function;
- conducting periodic reviews, at least once a year, of the knowledge, skills and experience of the board as a whole and individual board members and informing the management board about the results of this assessment;
- periodically reviewing management's policy regarding the selection and appointment of persons holding management positions and presenting recommendations to the management board in this regard.
- accepting individual and collegial assessment of the suitability of bodies.

In 2021, 3 meetings of the Nominating Committee were held.

4.11.7 The control system for employee share schemes

XTB does not operate employee share program.

4.12 General Meeting of Shareholders

The operation of the General Meeting of the Company and its powers are contained in the Articles of Association and the Regulations of the General Meeting of XTB S.A. with its registered office in Warsaw, which is available on the Company's website under ir.xtb.com in Corporate Governance section.

4.12.1 Operation of the General Meeting

General Meetings is convened by the Management Board as ordinary or extraordinary.

Ordinary General Meetings are held annually, not later than within six months after the end of the financial year.

Extraordinary General Meetings are convened in the circumstances specified in the Commercial Companies Code or in the Articles of Association and also if the authorities or persons authorised to convene General Meetings believe such to be necessary.

Ordinary General Meeting may be convened by the Supervisory Board, if the Management Board fails to convene it on time. The Supervisory Board may also convene the extraordinary General Meeting if it deems it necessary. The right to convene an extraordinary General Meeting is also vested with the Company's shareholders representing at least one-half of the Company's share capital or at least one-half of the total number of votes in the Company. In such case, the Company's shareholders will appoint the chairman of such General Meeting.

Furthermore, a shareholder or shareholders of the Company representing at least one-twentieth of the Company's share capital may request that an extraordinary General Meeting be convened and that certain matters be placed on the agenda of such General Meeting. The request to convene the extraordinary General Meeting must be submitted to the Management Board in writing or in electronic form. If within two weeks from the submission of such request to the Management Board the extraordinary General Meeting is not convened, the registry court may authorise the Company's shareholders submitting such request to convene an extraordinary General Meeting. In such case, the chairman of the General Meeting is appointed by the court.



4.12.2 Powers of General Meetings

According to the Commercial Code of Companies, tasks of the General Meeting include in particular:

- the consideration and approval of the Management Board's report on the Company's Operations and the financial statements for the previous financial year,
- the granting of a vote of approval to the members of the Management Board and the Supervisory Board with respect to the performance of their duties,
- decisions regarding claims for the redress of damage caused while establishing the Company or exercising management or supervision over the Company,
- the sale or lease of the Company's enterprise or an organised part thereof and the establishment of a limited property right thereon,
- making a distribution of profit or covering of losses,
- issue of convertible bonds or bonds with priority rights and subscription warrants, referred to in art. 453 § 2 of the CCC,
- liquidation of the Company,
- the acquisition of own shares for redemption, redemption and reduction of share capital of the Company,
- the merger, transformation or split of the Company,
- amending the Articles of Association of the Company.

According to the Articles of Association, the competences of the General Meetings include also:

- the approval of the Regulations of the Management Board,
- the adoption of the Regulations of the Supervisory Board,
- the determination of the rules and amount of the remuneration of the members of the Supervisory Board,
- the creation, drawing upon and liquidation of reserve capitals and other special-purpose funds and the drawing upon the supplementary capital.

The resolutions of the General Meeting passed by an absolute majority of votes, unless the law or the Articles of Association provide for stricter requirements for the adoption of the resolution.

As of the Dematerialisation Date, the General Meeting will be deemed to have been validly convened regardless of the number of shares represented thereat, provided that the General Meeting will be able to adopt a resolution regarding the amendment to §15, sections 3 and 4 of the Articles of Association only in the presence of shareholders representing at least 2/3 (two-thirds) of the overall number of votes at the General Meeting.

4.12.3 Rights and obligations related to the Shares

Certain rights and obligations related to the Shares are presented below. The issues regarding the rights and obligations related to the shares are specifically regulated under the Polish Commercial Companies Code, the Act on Public Offering, the Act on Trading in Financial Instruments and the Articles of Association.

The Articles of Association do not contain provisions regarding the threshold amount of shares owned, beyond which it is necessary to state the shareholding of the Company shareholder or contain provisions imposing stricter conditions governing changes in capital than specified by the applicable law.

Right to dispose of the Shares

The shareholders of the Company have the right to dispose of shares. Disposal of shares consists of their disposal (transfer of ownership) and other forms of the ordinance, including pledging, establishing rights of use and their lease.

Dividend

The shareholders of the Company have the right to participate in the profit, which will be shown in the annual financial statement audited by the statutory auditor, designated by the resolution of the General Meeting for payment to the shareholders of the Company (right to dividend).

The Ordinary General Meeting is the body authorized to make decisions on the distribution of the Company's profit and dividend payment. The Ordinary General Meeting of Shareholders adopts a resolution on whether and what part of the Company's profit shown in the financial statements, audited by the statutory auditor, should be used to pay dividends. The Ordinary General Meeting should take place within six months after the end of each financial year (the financial year corresponds to the calendar year), i.e. by the end of June.



The Ordinary General Meeting also sets the date of the dividend and the date of dividend payment. The dividend day may be designated as at the date of adoption of the resolution on the distribution of profit or within the next three months, counting from that day.

The amount to be distributed among the shareholders of the Company may not exceed the profit for the last financial year, increased by undistributed profits from previous years, and amounts transferred from the supplementary and reserve capital created from profit, which may be allocated for the payment of dividends. However, this amount should be reduced by uncovered losses, own shares and amounts that, according to the Commercial Companies Code or the Articles of Association, should be allocated from the profit for the last financial year to supplementary or reserve capital.

The Management Board may pay shareholders an advance on the anticipated dividend at the end of the financial year if the Company has sufficient funds to pay. The advance payment requires the consent of the Supervisory Board. The company may pay an advance if its approved financial statements for the previous financial year show profit. The advance may amount to at most half of the profit earned from the end of the previous financial year, shown in the financial statements audited by the statutory auditor, increased by reserve capital created from profit, which the Management Board may use to distribute advances and reduced by uncovered losses and own shares.

The right to dividend is payable to persons on accounts of which dematerialized shares (bearer shares) are kept on the dividend day and to entities authorized to sell dematerialized Shares on a collective account.

A shareholder's claim against the Company for payment of a dividend may be made within 10 years, starting from the date of adoption by the ordinary General Meeting of a resolution to allocate all or part of the Company's profit to be paid to shareholders. After this date, the Company may evade payment of the dividend, raising the plea of limitation.

Terms of payment of dividend

The conditions for the receipt of dividends by the shareholders of the Company correspond to the rules adopted for public companies. The resolution on dividend payment should indicate the date of determining the right to dividend (dividend day) and the dividend payment date. Subject to the provisions of the Rules and Regulations of the NDS, the dividend day may be designated as at the date of adoption of the resolution or within the next three months, counting from that day. The dividend is paid on the day specified in the resolution of the General Meeting, and if the resolution of the General Meeting does not specify such a day, the dividend is paid on the day determined by the Supervisory Board.

Pre-emption right

The shareholders of the Company have the right to subscribe for the new shares of the Company in relation to the number of Shares held (pre-emptive right). The Company's shareholders have the right of priority to acquire new shares of the Company in relation to the number of Shares held, with the pre-emptive right also for issuing securities convertible into shares of the Company or incorporating the right to subscribe for shares of the Company.

The resolution on increasing the share capital of the Company should indicate the day according to which the shareholders of the Company are designated who have the right to collect new shares (day of subscription right). The subscription right can't be determined later than within six months from the day the resolution was passed.

The agenda of the General Meeting at which a resolution to increase the share capital of the Company is to be adopted should specify the proposed day of subscription right. Depriving the Company's shareholders of the right to acquire the shares of the new issue of the Company may take place only in the interest of the Company and in the event that it was announced in the agenda of the General Meeting. The Management Board presents the General Meeting with a written opinion justifying the reasons for the deprivation of the pre-emptive right and the proposed issue price of new shares of the Company or the method of its determination. A majority of at least four fifths of votes is required to pass a resolution regarding the deprivation of the Company's shareholders rights.

The above-mentioned requirements regarding the adoption of a resolution regarding the deprivation of the current shareholders of the Company's pre-emptive rights are not applicable if:

- the resolution on capital increase states that the new shares of the Company are to be fully covered by the financial institution (underwriter), with the obligation to offer them to the shareholders of the Company in order to enable them to exercise the pre-emptive right on the terms specified in the resolution;
- the resolution states that the new shares of the Company are to be taken up by the underwriter in the event that the shareholders of the Company, with whom the pre-emptive right is used, will not take part or all of the shares offered to them.

Right to a share in the assets in the case of the liquidation of the Company

If the Company is liquidated, the assets remaining after the satisfaction or securing of the creditors of the Company are divided between the shareholders of the Company on a pro rata basis to their contributions to the share capital.



The right to participate in the General Meeting and voting rights

The shareholder exercises the right to vote at General Meetings. Pursuant to the Code of Commercial Companies, General Meetings may be ordinary (ordinary General Meetings) or extraordinary (Extraordinary General Meetings).

Each Action gives the right to one vote at the General Meeting.

A shareholder of the Company may participate in the General Meeting and exercise the right to vote in person or through a proxy. A shareholder of the Company intending to participate in the General Meeting through a proxy must give the proxy proxies in writing or in electronic form. The Company takes appropriate actions to identify the Company's shareholder and proxy in order to verify the validity of the power of attorney granted in electronic form.

A detailed description of the manner of verifying the validity of the power of attorney granted in electronic form includes an announcement on convening the General Meeting.

Pursuant to the Articles of Association, participation in the General Meeting by means of electronic communication is allowed, subject to the following. In the event that the announcement on convening the General Meeting contains information about the possibility of shareholders participating in the General Meeting using electronic means of communication, the Company is obliged to provide shareholders with the opportunity to participate in the General Meeting using electronic means of communication.

The detailed rules for conducting the General Meeting using electronic means of communication are determined by the Management Board, taking into account the provisions of the Regulations of the General Meeting. The Management Board announces the rules on the Company's website along with the announcement on convening the General Meeting.

A shareholder of the Company holding shares registered on more than one securities account may appoint separate proxies to exercise the rights attached to shares registered on each account.

If a representative of a shareholder of the Company at the General Meeting is a member of the Management Board, a member of the Supervisory Board, liquidator, employee of the Company or a member of the bodies or employee of a subsidiary or a subsidiary of the Company, the power of attorney may authorize to represent only one General Meeting.

The proxy is obliged to disclose to the shareholder of the Company circumstances indicating the existence or the possibility of a conflict of interests. In this case, granting a further power of attorney is unacceptable. The proxy referred to above votes in accordance with the instructions provided by the shareholder of the Company.

Each share gives the right to one vote at the General Meeting. The Articles of Association do not provide for voting preference. A shareholder may vote differently from each of the shares held. A proxy may represent more than one shareholder of the Company and vote differently from the shares of each shareholder of the Company.

A shareholder of the Company may not, either personally or by proxy, vote on adopting resolutions regarding his liability towards the Company for any reason, including granting a vote of acceptance, exemption from obligations towards the Company and a dispute between him and the Company. The above limitation does not apply to voting by a shareholder of the Company as a proxy of another shareholder when adopting resolutions regarding the person referred to above.

Only persons who are shareholders of the Company sixteen days before the date of the General Meeting (day of registration of participation in the General Meeting) have the right to participate in the General Meeting. In order to participate in the General Meeting, those entitled from the dematerialized Bearer Stocks of the Company should request the entity maintaining their securities account to issue a personal certificate on the right to participate in the General Meeting. The demand should be presented not earlier than after the announcement of convening the General Meeting and no later than the first weekday after the date of registration of participation in the General Meeting.

Holders of registered shares and temporary certificates, as well as pledgees and users who have the right to vote, have the right to participate in the General Meeting, if they are entered into the book of shares on the day of registration of participation in the General Meeting.

The list of persons entitled to participate in the General Meeting is determined on the basis of the list prepared by the entity keeping the securities deposit in accordance with the Act on Trading in Financial Instruments and on the basis disclosed in the Company's share register on the day of registration of participation in the General Meeting. The above list is displayed at the Company's office for three days preceding the day of the General Meeting. The Company's shareholder may request that the list of shareholders entitled to participate in the General Meeting be sent to him free of charge via e-mail, providing his own e-mail address to which the list should be sent.

In relation to shares registered on a collective account, a certificate confirming the right to participate in the General Meeting shall be a document with appropriate content issued by the holder of the said account. If the omnibus account is maintained by NDS (or an entity employed by NDS to perform duties related to the maintenance of securities), information on the holder of



such an account should be disclosed to NDS (or an entity employed by NDS to perform duties related to the operation of the securities depository)) by the entity conducting a collective account for it before the first issue of such a document.

On the basis of the above-mentioned documents, the omnibus account holder will prepare a list of persons authorized to participate in the General Meeting. If the omnibus account holder is not a NDS participant (or a bank employed by NDS in order to perform duties related to the securities depository), the list of persons authorized to participate in the General Meeting is delivered through a NDS participant (or a bank that NDS has employed to perform its duties associated with keeping a securities depository).

The Company's shareholder may transfer the Shares in the period between the date of registration of participation in the General Meeting and the date of closing the General Meeting.

Right to place particular matters on the agenda

A shareholder or shareholders of the Company representing at least one twentieth of the Company's share capital may request that specific matters be placed on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the General Meeting. The request may be submitted in electronic form. The Management Board is obliged to announce immediately, but no later than eighteen days before the set date of the General Meeting, changes to the agenda introduced at the request of the Company's shareholders. The announcement is made in a manner appropriate for convening the General Meeting.

Manner in which the General Meeting is convened

The General Meeting is convened through an announcement made on the Company's website and in a manner specified for the provision of current information in accordance with the Act on Public Offering. The announcement should be made at least twenty-six days before the date of the General Meeting. The announcement about the General Meeting should include in particular:

- the date, time and place of the General Meeting and the detailed agenda,
- a precise description of the procedures for participation in the General Meeting and the exercise of voting rights,
- day of registering participation in the General Meeting,
- information that only persons who are shareholders of the Company on the registration date of participation in the General Meeting have the right to participate in the General Meeting,
- an indication of where and how a person entitled to participate in the General Meeting may obtain the full text of documentation to be presented to the General Meeting and draft resolutions or, if no resolutions are envisaged, comments of the Management Board or Supervisory Board regarding matters introduced into the agenda the General Meeting or issues that are to be included in the agenda before the date of the General Meeting,
- indication of the address of the website on which information on the General Meeting will be made available.

Pursuant to the Regulation on Reports, the Company will be required to submit in the form of a current report, among others the date, time and place of the General Meeting together with its detailed agenda.

In addition, in the event of a planned amendment to the Statute, the current provisions, the content of the proposed amendments and if, due to a large scope of intended changes, the Company makes a decision to prepare a new uniform text, the new uniform text of the Articles of Association together with the calculation of its new provisions. The content of draft resolutions and attachments to the projects to be discussed at the General Meeting that are relevant to the resolutions adopted shall also be announced in the form of a current report.

Venue of the General Meeting

General Meetings are held in the Company's registered office.

Right to propose draft resolutions to the Company

A shareholder or shareholders of the Company representing at least one-twentieth of the share capital may submit to the Company in writing or using electronic communication means draft resolutions regarding matters included in the agenda of the General Meeting or issues to be included in the agenda prior to the date of the General Meeting. The company immediately publishes draft resolutions on its website.

Right to demand the issuance of duplicates of motions

Each shareholder of the Company has the right to demand copies of motions regarding issues included in the agenda of the next General Meeting. Such a request should be submitted to the Management Board, no later than one week before the General Meeting.



Right to demand that the list of participants of the General Meeting be verified

Immediately after the election of the chairman of the General Meeting, an attendance list containing a list of participants of the General Meeting should be drawn up, specifying the number of shares of the Company that each of them presents and their votes. The attendance list should be signed by the chairman of the General Meeting and presented during the meeting. At the request of shareholders holding one-tenth of the share capital represented at the General Meeting, the attendance list should be checked by a committee elected for this purpose, composed of at least three persons. Applicants have the right to choose one member of the commission.

Right to information

The Management Board is obliged to provide the Company's shareholder, during the General Meeting, upon request with information regarding the Company, if it is justified for the assessment of a matter covered by the agenda of the General Meeting. If there are important reasons to do so, the Management Board may provide information in writing outside the General Meeting. In such a case, the Management Board is obliged to provide information not later than within two weeks from the day the shareholder filed a request at the General Meeting.

The Management Board refuses to provide information if it could cause damage to the Company, a company associated with the Company or a company or a cooperative subsidiary of the Company, in particular by disclosing technical, commercial or organizational secrets of the company. A member of the Management Board may refuse to provide information if the provision of information could be the basis of his criminal, civil or administrative liability.

The information provided to the Company shareholder should be made available to the public in the form of a current report.

A shareholder who was refused to disclose the information requested during the General Meeting and who filed an objection to the Minutes may submit an application to the registry court to oblige the Management Board to provide information. Such a request should be submitted within one week from the end of the General Meeting at which information was refused. A shareholder may also submit an application to the registry court for obliging the Company to publish information provided to another shareholder outside the General Meeting. Pursuant to the Regulation on Reports, the Company will be obliged to provide in the form of a current report information provided to a shareholder following the Management Board's obligation by the registry court in the cases referred to above.

Right to demand the issuance of duplicates of the annual financial statements

Each shareholder of the Company has the right to request copies of the Management Board's report on the Company's operations and financial statements along with a copy of the Supervisory Board's report and the auditor's opinion no later than fifteen days before the General Meeting.

Right to request the election of the Supervisory Board by separate groups

At the request of the Company's shareholders representing at least one fifth of the Company's share capital, the Supervisory Board should be elected by the next General Meeting by voting in separate groups. In this case, the mode provided for in the Statute will not be applicable and the shareholders will apply the procedure provided for in the Code of Commercial Companies. The mechanism of such selection is as follows: the total number of Company shares is divided by the total number of members of the Company's Supervisory Board. Shareholders who represent such a number of shares may form a separate group to elect one member of the Supervisory Board and may not vote in the selection of other members. If, after a vote in the voting mode, separate groups in the Supervisory Board remain vacancies, shareholders who have not participated in the creation of any group will be entitled to elect other members of the Supervisory Board. If the election of the Supervisory Board is made by way of voting in separate groups, the limitation of the preference for voting rights does not apply, and each Action gives the right to one vote, excluding restrictions on shares that do not entitle to exercise voting rights.

Right to appeal against the resolutions of the General Meeting

The Company's shareholders are entitled to appeal against resolutions adopted by the General Meeting by way of an action to repeal a resolution or an action for annulment of a resolution.

Action for the revocation of a resolution

A resolution of the General Meeting that is contrary to the Statute or decency and which harms the interest of the Company or intended to harm a shareholder of the Company may be appealed against by way of action against the Company for repealing the resolution.

An action to cancel a resolution of the General Meeting should be brought within one month from the date of receipt of information about the resolution, however not later than within three months from the date of adopting the resolution.



Action to have a resolution declared invalid

A resolution of the General Meeting contrary to the Act may be challenged by an action brought against the Company for the annulment of a resolution.

An action for annulment of a resolution of the General Meeting should be brought within thirty days from the date of its announcement, but no later than one year from the date of adoption of the resolution.

Entities authorised to challenge resolutions of the General Meeting

The following persons have the right to file an action seeking to have a resolution of the General Meeting declared invalid or an action for the revocation of a resolution of the General Meeting:

- the Management Board, the Supervisory Board and the individual members thereof;
- a shareholder of the Company who voted against the resolution and who upon the adoption thereof requested that his objection be recorded in the minutes of the General Meeting;
- a shareholder of the Company who was refused participation in the General Meeting without providing a good reason;
- the shareholders of the Company who were not present at the General Meeting – only if the General Meeting was improperly convened or in the case of a resolution on a matter which was not included on the agenda.

Change to the Rights Entrusted with the Company's Shareholders

A change in the rights of shareholders in the form of amending the provisions of the Statute requires a resolution of the General Meeting adopted by a three-fourths majority of votes and an entry in the Register of Entrepreneurs of the National Court Register. In addition, a resolution to amend the Articles of Association, increasing the benefits of the Company's shareholders or reducing the rights granted personally to the Company's shareholders, requires the consent of all shareholders of the Company to whom it applies.

Redemption of Shares

Shares may be redeemed by way of a decrease in the share capital of the Company, however, the redemption requires the consent of the shareholder of the Company. The Statute does not contain a provision regarding the compulsory retirement of the Shares.

The conditions, legal basis and procedure for redemption of shares and the amount of remuneration for redeemed shares or justification for redemption without remuneration shall be determined each time by the General Meeting in the form of a resolution

Right to Request the Appointment of a Special-Purpose Auditor

According to art. 84 of the Act on Public Offer, at the request of a shareholder or shareholders of the Company, holding at least 5% of the total number of votes, the General Meeting may adopt a resolution regarding the examination by a court expert of a specific issue related to the creation of the Company or conducting its affairs. These shareholders may, for this purpose, request that an extraordinary General Meeting be convened or that the matter of adopting this resolution be placed on the agenda of the next General Meeting. If the shareholders decide to take advantage of the first option and within two weeks from the date of requesting convening such a General Meeting, the Extraordinary General Meeting will not be convened, the registry court may authorize the shareholders of the Company to submit the request to convene an extraordinary General Meeting. The court appoints the chairman of this General Meeting. If shareholders decide to use the second option and request that the resolution be placed on the agenda of the next General Meeting, such request must be delivered to the Management Board in writing no later than twenty one days before the planned date of the General Meeting.

The resolution of the General Meeting on the selection of the auditor for special matters should specify in particular:

- the data of the special-purpose auditor, which auditor should be approved in writing by the requesting shareholder;
- the subject and the scope of the audit, which should comply with the contents of the request, unless the requesting party consented in writing to change the subject and scope of the audit;
- the types of documents that should be made available to the auditor by the Company; and
- the start date of the audit, which should not be later than three months from the date of the adoption of the resolution.

If the General Meeting fails to adopt the resolution in accordance with the request or adopts such resolution in breach of Article 84 clause 4 of the Act on Public Offering, the requesting parties may, within 14 days of the date of the adoption of the resolution, request that the registry court appoint the identified entity as a special purpose auditor.

The auditor for special matters may only be an entity having the expertise and qualifications necessary to examine the matter specified in the resolution of the General Meeting, which will ensure the preparation of a reliable and objective audit report. The auditor for special matters may not be an entity providing services to the Company, its parent or subsidiary in the audited period,



as well as its parent entity or a significant investor within the meaning of the Accounting Act. The auditor for special matters may also not be an entity that belongs to the same capital group as the entity that provided the services referred to above.

The Management Board and the Supervisory Board are required to make available to the special-purpose auditor such documents as have been specified in the resolution of the General Meeting upon the appointment of the special purpose auditor, or upon the decision of the court on the appointment of the special purpose auditor, and to provide the auditor with the explanations necessary for carrying out the audit.

The special purpose auditor is required to present to the Management Board and the Supervisory Board of the company a written report on the audit results. The Management Board is required to announce the report in the form of a current report. The report of the special purpose auditor may not disclose information that constitutes a technical, trade or organisational secret of the Company, unless it is necessary for justifying the position presented in the report.

The Management Board is required to submit a report on the consideration of the audit findings at the next General Meeting.

4.13 Change of the Articles of Association of the Company

Change of the Articles of Association of the Company in accordance with the provisions of the Commercial Companies Code, is within the competence of the General Meeting. The resolution concerning amendments to the Statute is adopted by a majority of three-quarters of votes.

Resolution on amendments to the statute, increasing the benefits of shareholders or limiting the rights granted personally to individual shareholders in accordance with art. 354 Commercial Companies Code, requires the consent of all shareholders concerned.

4.14 The main features of internal control and risk management in relations to the process of preparing separate and consolidated financial statements

The system of internal control and risk management in relation to the process of preparing separate financial statements and consolidated financial is directly under the Management Board of the parent company. Supervision over the process of preparation of financial statements lies with the Financial Director. Financial statements are prepared by the Finance and Accounting Department of the parent company under the supervision of the Chief Accountant. The Parent Company also controls and analyses costs in terms of financial targets.

In order to eliminate the risks associated with the preparation of financial statements, also of the Group subsidiaries are annually audited by the independent auditor. The Group constantly monitors the performance of individual areas and compares to financial targets. The annual financial statements of the Parent Company and the annual consolidated financial statements of the Group are audited by an independent auditor. While the half-year financial statements of the Parent Company and consolidated half-year financial statements of the Group are reviewed by the certified auditor. The quarterly and half-yearly condensed consolidated financial statements of the Group as well as the annual financial statements of the Parent Company and the Group are approved prior to publication by the Management Board of the Parent Company.

4.15 Remuneration Policy

According to the internal system of remuneration, employees receive salary for the work corresponding to the type of work performed and the qualifications required for its performance, taking into account the quality and quantity of work performed.

4.15.1 Remuneration of the Management Board members

The remuneration of Board members is determined adequate to their function and to the scale of operations of the company. The total remuneration consists of the following:

- **Fixed remuneration** – flat monthly base compensation (for a calendar month).
- **variable remuneration** – supplementary remuneration for a given financial year depending on the extent to which management objectives are attained. The employment contracts with the members of the Management Board shall determine the amount and the components of remuneration, also provide the opportunity to receive additional commissions or annual bonus granted in the amount and under the conditions specified separately. According to the



adopted policy of variable remuneration components, employees holding key management positions may receive variable remuneration paid in cash and in the form of a financial instrument.

The key parameters for determining the variable remuneration components are described in the Variable Remuneration Component Policy at XTB S.A. of December 12, 2016. In addition, the rules regarding variable remuneration components are regulated in the Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of February 24, 2021, approved on April 12, 2021 by the Ordinary General Meeting of the Company.

Assumptions of implementation of the Variable Remuneration Components Policy are determined by the Supervisory Board, acting as the Remuneration Committee, with the approval of the budget of the brokerage house for the year.

The Supervisory Board, after verification of the fulfilment of the criteria and justification for obtaining the Variable Component of Remuneration may approve granting of a premium in derivatives based on the value of XTB shares, for the realization of plans for the year.

The bonus is determined by the Supervisory Board in the form of a resolution on the terms specified in the Policy of Variable Remuneration Components. The bonus must meet the following conditions:

- take into account the company's results for the period in which the person holds a position, but not longer than for the last 3 financial years;
- should consider the way of performance of the tasks assigned to a person holding a managerial position based on internal organizational rules of the company and on the basis of regulations of organizational units directed by that person for the period in which the person holds a managerial position, but not longer than for the previous 3 years.

The employment contracts of the members of the management board do not provide for severance pay in case of termination.

Due to the fact that the members of the management board were concluded non-competition agreements, in respect of compliance with this prohibition on competition after termination of employment of board members, they shall be entitled to compensation, the amount of which was determined as follows:

- Member of Management Board – Mr Paweł Szejko is entitled to compensation amounting to 50% of gross salary received by the employee before the termination of employment for a period corresponding to the non-competition, payable in 12 monthly instalments;

The tables below presents the remuneration received by each member of the Management Board in 2021 and 2020. These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits. In 2021 and 2020, members of the Management Board received remuneration on the basis of employment contract.

Fixed remuneration

NAME AND SURNAME	FIXED REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000)	
	2021	2020
Omar Arnaout	745	737
Filip Kaczmarzyk	501	493
Paweł Szejko	398	397
Jakub Kubacki	372	367
Andrzej Przybylski	363	364



Variable remuneration

NAME AND SURNAME	VARIABLE REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000) ¹⁾	
	2021	2020
Omar Arnaout	462	1 000
Filip Kaczmarzyk	323	700
Paweł Szejko	231	500
Jakub Kubacki	166	360
Andrzej Przybylski	180	180

¹⁾ At least 40% of the variable remuneration component paid out in the form of a financial instrument is settled and paid over a period of three to five years, with this period being determined taking into account the business cycle, the nature and risk of the obligations of that person. In case, the total remuneration of that person in the previous financial year exceeds the PLN equivalent of EUR 1,000,000 of the average published by the National Bank of Poland in force on the last day of the previous year, the above applies to 60% of the variable remuneration components.

Non-wage benefits enjoyed by individual members of the management board and key managers include health benefits, vacation benefits, provision of recreation and sports, and Christmas vouchers. In addition, in the reporting period board members - Filip Kaczmarzyk, Jakub Kubacki were provided with a company car.

4.15.2 Agreements concluded with the management, including compensation in case of resignation or dismissal from the position without a material ground or their removal or dismissal is due to the Company's merger by acquisition

As at 31 December 2021, and as at the date of publication of this report in the Parent Company and the Group companies there were no agreements with management providing for compensation in case of their resignation or dismissal from the position without a material reason or if their removal or dismissal is due to merger of the Parent Company by acquisition.

4.15.3 Remuneration of the Supervisory Board members

The table below presents the remuneration received by the members of the Supervisory Board of the Company. The total remuneration include gross salaries and contributions to social security paid for by the employer. In 2021 and 2020 the members of the Company's Supervisory Board received remuneration on the basis of their appointment.

NAME AND SURNAME	FIXED REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000)	
	2021	2020
Jan Byrski ¹⁾	5	-
Jakub Leonkiewicz	46	46
Łukasz Baszczyński	44	44
Jarosław Jasik ²⁾	40	44
Bartosz Zabłocki	44	44
Grzegorz Grabowicz	44	44

¹⁾ Jan Byrski appointed as the Chairman of the Supervisory Board for the joint term of office of the Supervisory Board from November 22, 2021 to the end of November 19, 2024.

²⁾ Jarosław Jasik served as a Member of the Supervisory Board until November 10, 2021.

4.15.4 Information on liabilities arising from pensions and similar benefits for former members of management, supervisory and administrative bodies

As at 31 December 2021 there were no liabilities arising from pensions and similar benefits for former members of management, supervisory or administrative bodies, as well as no liabilities incurred in relation with these pensions.



4.15.5 Changes in the remuneration policy

On April 12, 2021 the Ordinary General Meeting of the Company adopted the updated remuneration policy for Members of the Management Board and Members of the Supervisory Board. No changes occurred from the date of adoption of the remuneration policy until the balance sheet date.

4.15.6 Assessment of the remuneration policy

The general principles of the remuneration policy are aimed to ensure the coherence of the system of remuneration and additional benefits for employees with the strategy of long-term development of the company and taking into account the costs adopted in the financial plan, while maintaining compliance of risk management and stability of the company.

Additionally, assumptions of the variable components of the remuneration for persons in key positions, which should strengthen the relationship between the amount of the variable part of the remuneration and the implementation of long-term company growth, contributes significantly to the stabilization of the company's operations and its shareholder value growth.

Evaluation of the remuneration policy is under the Supervisory Board, which exercises ongoing supervision over the adopted remuneration policy, subjects them to review and makes recommendations to the Management Board as to possible changes in order to ensure a competitive level and effectiveness of remunerations, and ensuring their transparency, compliance with legal regulations and internal justice. Additionally, the remuneration policy for Members of the Management Board and Members of the Supervisory Board is subject to adoption by a resolution of the General Meeting adopted by a simple majority of votes. In addition, the Supervisory Board annually reviews the application of the Remuneration Policy and prepares a remuneration report.

4.15.7 Sponsorship, charity and similar activities

XTB makes every effort to ensure that the actions taken strengthen the organization in the area of social responsibility, taking into account environmental and climate protection, and consciously and effectively manages natural resources. For this purpose, in the fourth quarter of 2021, the ESG Strategy of the XTB Capital Group was adopted, under which the Company emphasizes the implementation of commitments in the area of the environment and sustainable development.

All activities in the area of social responsibility are carried out by the XTB Capital Group and the one established in December 2020, the XTB Foundation.

The company strengthens the education of XTB employees in the field of environmental protection and health protection. For this purpose, an environmental education program has been developed and the solutions contained therein are systematically implemented, as well as meetings with specialists in the field of prophylaxis and health protection are organized.

Activities in the area of charity and sponsorship are constantly being strengthened. XTB supports schools by donating computer equipment for children to remote learning. Sports activities of XTB employees are also supported, including in the area of the football team playing tournaments in the business league, or the XTB Running Team taking part in marathons, half-marathons and other runs.

4.15.8 Description of diversity policy

XTB S.A follows a policy of diversity and a policy of equal treatment for all the Company's employees, its authorities and key managers, because of its firm belief that diversity, as a fundamental value of contemporary society, has a significant impact on the development, competitiveness and innovation of our organization.

The pursuit of a policy of diversity can be seen, among other things, in hiring employees of different gender, age, educational background, qualifications, professional experience, nationality, ethnic background, religion, denomination, nondenominational character, political views, state of health, psychosexual orientation, family status, lifestyle, place of residence, form, scope and basis of employment, ensuring respect, tolerance and equal treatment in the workplace for all employees, as well as creating a work environment conducive to making the most of the above differences for the good of the organization.

The policy of diversity pursued at XTB S.A is aimed at exploiting the potential of our employees, their skills, talents, passions, knowledge and qualifications to the full.

XTB creates an organizational culture focused on achieving the Company's objectives by building in-house teams which vary in terms of gender, age and qualifications, which makes it possible to resolve problems in a more effective manner, leads to a better working environment, boosts the creativity of project teams, and enables effective knowledge sharing.



In the implementation of one of the important aspects of the policy of diversity, the Company offers internships and traineeships to university students and graduates with various job profiles and gives them the opportunity to pursue a career within our organization.

As part of the policy of diversity, XTB S.A. also promotes and supports charitable initiatives initiated by its employees.

Managing diversity also consists of including provisions for preventing discrimination and mobbing as well as other regulations which specify the standards for equal treatment, protection against violence, harassment or unfair dismissal in the policies and procedures in place at XTB. The principles of equal treatment in employment are described in the Company's internal documents, among others, in the Labour Regulations, and are freely available to all employees. All employees and associates are required to react if they witness the exclusion or stigmatization of associates in accordance with the applicable Anonymous Reporting Procedure.

In the scope of diversification in connection with the selection of XTB S.A. authorities the Company has implemented the Diversity Policy in relation to the Members of the Management Board of the Company. The company provides a variety of qualifications and competences in terms of education, professional experience and the skills of the selected staff, including the managerial staff, in order to guarantee comprehensive and reliable performance of the tasks entrusted to it. In addition, as part of the Diversity Policy during recruitment to the authorities of the Company in XTB S.A. professional qualifications, reputation, professional experience, predispositions to perform duties within a given position or function, as well as gender, age, place of origin and education are taken into account.

The members of the Company's authorities are specialists in various areas of knowledge and are equipped with varied industry-specific experience which corresponds to the functions they currently perform. The individual competencies of the members of the Company's authorities complement each other in such a manner as to ensure an appropriate level of collegial management at XTB S.A.

5. Other information

5.1 Audit company authorised to audit the financial statements

On May 4, 2021, the Supervisory Board of the Company, acting pursuant to § 19 section 2 lit. h) the Articles of Association of the Company and in accordance § 8 sec. 2 lit. h) Regulations of the Supervisory Board of XTB, after getting acquainted with the recommendation of the Audit Committee, adopted a resolution and entrusted PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. based in Warsaw (hereinafter referred to as PWC) to carry out:

- audits of individual and consolidated financial statements for the years 2021-2023 and;
- reviews of condensed separate and consolidated semi-annual financial statements for the period 6 months ended June 30, 2021, June 30, 2022 and June 30, 2023 and;
- attestation service regarding the storage and protection of the assets of the Company's clients in accordance with the Regulation of the Minister of Finance of September 24, 2012 on the procedures and conditions of conduct of investment firms, banks [...] and the issuance of a report for the year ended December 31, 2021, December 31, 2022 and December 31, 2023;
- attestation service regarding the remuneration report of the Supervisory Board in accordance with the Act on Public Offering of July 29, 2005 and the issue of a report for the year ended December 31, 2021, December 31, 2022 and December 31, 2023.

Selection of PWC in accordance with applicable law, i.e. in particular the Act of May 11, 2017 on statutory auditors [...], and based on internal policies and procedures.

On June 10, 2021, an annex to the contract of January 25, 2019 was concluded between XTB and PWC regarding:

- auditing the financial statements and the consolidated financial statements of the capital group for the financial periods from January 1, 2021 to December 31, 2021, from January 1, 2022 to December 31, 2022 and from January 1, 2023 to December 31, 2023 r.
- review of the condensed interim financial statements and the condensed interim consolidated financial statements of the capital group for the financial periods from January 1, 2021 to June 30, 2021, from January 1, 2022 to June 30, 2022 and from January 1, 2023 to June 30, 2023.

Additionally, on March 2, 2022, an annex was signed to the agreement of January 25, 2019 for:

- verification of marking the annual consolidated financial statements for the financial period from January 1, 2021 to December 31, 2021 with XBRL tags in accordance with the ESEF regulation.



On March 2, 2022, an annex to the agreement of February 16, 2021 was signed for:

- performance of an assurance service and preparation of an independent auditor's report including an assessment of compliance with the requirements for the safekeeping of the Company's clients' assets in the annual period ended December 31, 2021, December 31, 2022 and December 31, 2023;
- Performing all procedures related to the remuneration report for the years ended December 31, 2021, December 31, 2022 and December 31, 2023;

In the previous years, the company used advisory services provided by other entities of the PwC network, mainly in the field of tax consultancy. In the opinion of the Company, the services provided do not affect the assurance of the required level of impartiality and independence of the auditor.

The total amount of remuneration paid or due to the audit firm for the current and previous financial year, separately for the audit of the annual financial statements, other assurance services, including the review of the financial statements and other services, is disclosed in Notes 31 and 30, respectively, to the separate and consolidated financial statements.

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

As of 31 December 2021 and as at the submission date of this report the Parent company and its subsidiaries were not a party to any significant proceedings pending before arbitration authority. The most important of the ongoing proceedings were indicated below.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report the total value of the claims brought against the Company and/or the Group Companies amounted to PLN 16 million, which consists of three proceedings on employee claims, with a value of approximately PLN 600 thousand, five suits brought by clients with the total value of PLN 7,6 million and moreover, one proceeding brought by ESBANK Bank Spółdzielczy regarding the alleged failure to apply financial security measures by the Company and one proceeding of a non-client of the Company with a value of approximately PLN 150 thousand. Below are presented the most significant, in the Company's view:

- on January 5 2018, the Financial Ombudsman received a request from the client to investigate the legitimacy of restoring by the Company of this client's margin in the amount of PLN 131 000, i.e. the amount resulting from the loss of transactions closed by the Company. Their closing took place as a result of the mechanism of closing the position after 365 days from the day of their opening. This mechanism has been described in the regulations on the provision of brokerage services. On February 19, 2019 a lawsuit in the case under consideration was filed with the District Court. On April 26, 2019 the Company lodged an appeal. On December 7, 2020 a judgment has passed, according to which the claim was dismissed, while on February 22, 2021 the Company received the justification of the judgement. At the end of March 2021 the claimant filed an appeal from the judgement issued by the District Court. The Company has filed the response to the delivered appeal. On 14 December 2021, the plaintiff's appeal was dismissed, the case is considered closed;
- law suit dated August 2019 regarding Company's alleged illegal actions delivered to the Company in December 2019 – value of the claim is PLN 7 million. In previous reports the Company informed that there was a possibility of filing a suit by one of the Company's clients who accused the Company of improper execution of the agreement concluded with Company for provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts, by allegedly delaying and interrupting execution of the transactions via the trading platforms provided. The management board finds client's claims groundless. The only reason for the loss of the customer was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients;
- law suit brought by ESBANK Bank Spółdzielczy dated July 2020, delivered to the Company in November 2020 – value of the proceeding is approximately PLN 7,6 million. In this case in February 2020 the Company received a pre-trial payment order. The damage was to consist in the Company's failure to apply financial security measures, which lead to effective appropriation of funds by an employee of Bank Spółdzielczy, who was also a client of the Company. The Company considers the charges made in the tender offer to be completely unfounded. In December 2020 the Company filed the response to the law suit.



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

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

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

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

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

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

On 5 January 2022 the Court of Appeal ruled on the Company's appeal against the judgment of the Court of First Instance. The appeal was upheld for the most part: the Court amended the judgment of the Court of First Instance and prohibited XTRADE Europe from using a further 3 word and graphic signs, as claimed in the lawsuit. The appeal regarding the claim for publishing an apology in the media was dismissed. The proceeding is legally closed.

In addition, the Munich Regional Court, in a judgment of 25 July 2017, issued a ban on the use of the designations "XTRADE" and "XTRADE EUROPE Ltd." in Germany, confirming that the designations are confusingly similar to the trademarks reserved by the Company. In addition, Xtrade Europe Ltd. was also required to provide information on the extent and number of past use of the marks and to pay damages, the amount of which has not yet been determined. On April 19, 2018, the Court of Appeal dismissed the appeal of the Cypriot company - the verdict prohibiting the use of the XTRADE sign in Germany is final. As at the date of submitting this report, proceedings are still pending to order XTRADE Europe Ltd. to pay the costs of legal representation and to enforce a final judgment. Proceedings enforcing the ruling ban were pending before European Union Intellectual Property Office (EUIPO) as regards the annulment of conflicting marks of Xtrade Europe Ltd. On March 20, 2020, EUIPO issued a decision rejecting the application for a declaration of invalidity. On 19 May 2020, an appeal was filed with the Board of Appeal of EUIPO. Currently we are waiting for the decision of the authority. On 8 November 2021 the EUIPO Board of Appeal issued its decision and upheld the arguments and evidence submitted by the Company and found that the Company's sign was used in Germany



in the course of trade of more than local significance prior to the date of application for the disputed mark and that the Company's sign was used for "brokerage and financial services". For the rest, the Board of Appeal remitted the case back to the first instance, the Cancellation Division, which will re-examine the application in question. In its re-examination, the Cancellation Division will be bound by the arguments and reasoning of the Board of Appeal. In addition, the Cancellation Division should analyse whether the other grounds for invalidity of the contested mark which were not analysed by the Board of Appeal in its decision are fulfilled. Only after this analysis and reconsideration will the Cancellation Division issue a decision on the merits of the application and the cancellation. This decision will again be subject to appeal by either party. The proceeding before EUIPO is pending.

Administrative and control proceedings

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

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

On February 10, 2020, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company's branch in France, in the response to which on March 9, 2020 the Company lodged substantiated objections in accordance with the provisions in force. In a letter of October 9, 2020, the Company was notified of the commencement of administrative proceeding initiated by AMF, with regard to the irregularities detected during the AMF's inspection at the Company's branch in France. The Company was requested to present its position regarding the detected irregularities and the conducted implementations resulting from the protocol of February 10, 2020. On November 8, 2021, the AMF issued a warning and at the same time imposed a fine of EUR 300,000 on the Company, which the Company subsequently paid.

- by letter dated November 27th, 2020, the French Branch of the Company was informed of the initiation of control by the French supervisory authority Autorité de contrôle prudentiel et de résolution – ACPR Banque de France against the Company's Branch, pursuant to articles L. 612-23 and R.612- 22 of the Monetary and Financial Code. The audit was intended to assess the compliance of the anti-money laundering and anti-terrorist financing system. The inspection activities started on December 2nd, 2020. As of the submission date of this report, the control has been completed. On June 23, 2021, the Company received the draft inspection report of June 20, 2021. In the reply sent to the supervisory authority to the draft report received, the Company addressed in detail the preliminary post-inspection findings. It cannot be ruled out, that the irregularities identified during the control may result in the application of supervisory measures and sanctions to the Company provided for in the applicable regulations and may result in the must for the Company to bear significant financial expenses, as well as to implement significant organizational changes.
- on March 25, 2021, the Company's branch in Portugal was informed about the initiation of an inspection by the Portuguese supervision authority Comissão do Mercado de Valores Mobiliários – CMVM. The inspection shall be considered as a comprehensive assessment of the operations of the Company's Branch, based, inter alia, on the regulations of the MiFID II Directive as well as the delegated regulations that were issued on the basis of the previously mentioned Directive. February 8, 2022, CMVM provided XTB with a summary of its inspection activities. As at the date of the report, the Company is in the process of analyzing the document.
- on January 10, 2022, a customs and tax inspection held by the Head of the Masovian Customs and Tax Office in Warsaw regarding the correctness and reliability of XTB settlements for corporate income tax for 2019 began. The inspection, in accordance with the authorization to carry out control should be completed within three months from the date of initiation.



Regulatory environment

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

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

Act amending the Banking Law and certain other acts

On December 28, 2020, the parliament received a draft act amending the Banking Law and certain other acts, including the act on trading in financial instruments and was published on the website of the Government Legislation Centre. The most important assumptions of the project: (i) implementation of EU law in connection with the entry into force of European Union legal regulations on capital requirements for financial institutions, the so-called CRD V / CRR II package; (ii) introducing a standard methodology and a simplified standard methodology for the assessment of interest rate risk; (iii) authorizing the Polish Financial Supervision Authority to dismiss a member of the management board of the brokerage house if a given person does not meet the requirements necessary to perform a given function; and (iv) clarifying the definition of a person whose professional activity has a significant impact on the risk profile of the brokerage house. On February 25, 2021, the act was adopted by Sejm and then submitted to the President and the Marshal of the Senate. On April 1, 2021, the act was signed by the President. The effective date of the Act has been split, with some provisions taking effect within 14 days of the Act's promulgation, some taking effect on June 28, 2021, and the remainder taking effect on January 1, 2023.

The Company exercised due diligence in order to comply with obligation under Act amending the Banking law and certain other acts. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

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

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

Polish legislator failed to transpose the provisions of Directive V AML within the required deadline. On March 4, 2020, a draft act amending the Act on Counteracting Money Laundering and Financing of Terrorism and some other acts (hereinafter referred to as the "Project") was published, which aims to implement the provisions of the AML V Directive into the Polish legal order. also numerous details of the provisions of the Act of March 1, 2018 on counteracting money laundering and terrorist financing (under the AML IV Directive. The most important assumptions of the Project include: (i) extension of the list of obligated institutions, (ii) changes in definitions, including the definition of the actual beneficiary and the group, (iii) extension of the catalogue of cases in whose obligated institutions apply financial security measures, (iv) expanding the catalogue of premises for a higher risk of money laundering and terrorist financing, and (v) changes in the scope of applying financial security measures. On February 25, 2021, the act was adopted by the Sejm and then submitted to the President and the Marshal of the Senate. On April 8, 2021, the act was signed by the President and on April 30, 2021 announced in the Journal of Laws. The entry into force of the Act has been staggered - some of the provisions came into force 14 days after the date of announcement, some 3 months after the date of announcement, and some 6 months after the date of announcement.

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



in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

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

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

Act amending the Trading in financial instruments act and other acts

On October 23, 2020 on the website of the Government Legislation System a draft act amending the Trading in financial instruments act and other acts was published. According to the assumptions, the act was to enter into force of June 26, 2021. Main assumptions of the project: (i) division of the investment firms into the categories based on their size and connections with other financial and economic entities; (ii) the application of prudential supervision for investment firms which, due to their size and interconnectedness with other financial and economic entities, are not considered systemically important entities; (iii) regulating, by appropriate application of the provisions of the CRR, the structure of own funds of investment companies; (iv) an obligation for small and unrelated investment firms to hold their own funds equal to their fixed minimum capital requirement or one quarter of their fixed overheads calculated on the basis of their activities in the previous year; (v) setting a minimum own funds requirement for tier two investment firms corresponding to their fixed minimum capital requirement, one quarter of their fixed overheads for the previous year or the sum of their requirement on the basis of a set of risk factors tailored to the specificity of investment firms; (vi) obliging investment firms to comply with liquidity requirements, resulting in mandatory internal procedures to monitor and manage liquidity requirements; (vii) an obligation to disclose relevant information, for example on own funds and liquidity requirements; (viii) making the capital requirements of the investment firm dependent on the type of activity authorized or authorized by the investment firm to provide or operate; and (ix) obliging investment firms to demonstrate compliance with a fixed minimum capital requirement at all times equal to the required share capital. The Bill was passed in session on 1 October 2021 and was transmitted to the President and the Speaker of the Senate on 4 October 2021, and on 25 November 2021 it was promulgated. The entry into force of the Act has been staggered - some provisions entered into force on the day after the date of promulgation, some on 1 January 2022 and some will enter into force on 1 January 2023.

The Company exercised due diligence in order to comply with obligation under Act amending the Trading in financial instruments act and other acts. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Draft regulations amending the regulation on the scope, procedure, form and deadlines for submitting information to the Polish Financial Supervision Authority by investment firms, banks referred to in art. 70 sec. 2 of the Act on Trading in Financial Instruments, and custodian banks

On 18 June 2021 and 7 July 2021, draft regulations amending the regulation on the scope, mode and form of and deadlines for the provision of information to the Polish Financial Supervision Authority by investment firms, banks referred to in Article 70(2) of the Act on Trading in Financial Instruments, and custodian banks were published. Both regulations were announced.

The most important assumptions of the regulations:

- draft dated 18 June 2021 - amendments to the current regulation with respect to the quarterly sales activity report, which is prepared in accordance with the template set out in Annex 10 to the regulation – The regulation was promulgated on 15 December 2021 and will enter into force on 1 June 2022;
- draft dated 7 July 2021 - amendments to the regulation currently in force are aimed at making the necessary changes to the national legal order in connection with the entry into force of Directive (EU) 2021/338 of the European Parliament and of the Council of 16 February 2021 amending Directive 2014/65/EU as regards information requirements, product



governance and position limits and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms in order to support the recovery from the COVID-19 crisis and consists in (i) incorporating the EU regulations on the prudential supervision of investment firms into the text of the Regulation, (ii) specifying the obligations of investment firms in the event of an inability to comply with certain disclosure obligations, (iii) specifying certain obligations relating to the use of research services and (iv) introducing new responsibilities for the compliance function - the regulation was promulgated on 14 December 2021 and entered into force on 28 February 2022.

Draft act on the protection of whistleblowers

On 18 October 2021, the Draft Act on the Protection of Whistleblowers was published on the website of the Government Legislation Centre. The Draft act aims to implement Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons reporting infringements of Union law.

The guarantees and remedies provided for in the act will be available to the whistleblower, regardless of the basis and form of work provision (including, but not limited to, an employment contract, civil law contract, business activity by an individual, management contract, voluntary work, internship and traineeship), including those providing work to entities with which the employer has a business relationship, such as contractors, subcontractors or suppliers, and other whistleblowers in a work-related context, such as shareholders and partners and members of bodies of a legal entity. It will be possible to report violations of the law through internal reporting channels established by private and public entities, through external reporting channels to the relevant state authorities and through public disclosure. The draft act will set out the requirements for the establishment and organisation of internal and external channels (procedures and organisational arrangements) for reporting violations and the rules for making public disclosures.

According to the draft, the Act will enter into force after 14 days from the date of its publication. Implementation of the obligation to establish internal notification rules by entities in the private sector with at least 50 and less than 250 employees will take place by 17 December 2023. The draft is currently at the opinion stage.

Regulation of the Minister of Finance on estimation of internal capital and liquid assets, risk management system, supervisory examination and assessment, and remuneration policy in a brokerage house and a small brokerage house

On 9 December 2021, the Regulation of the Minister of Finance of 8 December 2021 on estimation of internal capital and liquid assets, risk management system, supervisory examination and assessment, as well as remuneration policy in a brokerage house and a small brokerage house was published in the Journal of Laws. The Regulation implements the IFD/IFR package, i.e. Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 05.12.2019, p. 64, as amended) and Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 05.12.2019, p. 1, as amended). The main objectives of the Regulation: (i) clarification of the rules for the preparation and implementation by a brokerage house, as part of its risk management system, of internal policies, strategies and procedures and systems and processes for the identification, measurement or estimation, monitoring and control, and mitigation of risk, in line with the principle of proportionality in risk management in a brokerage house; (ii) the principles for the preparation and implementation by the brokerage house of the process for estimating and maintaining internal capital and liquid assets, are intended to ensure that the brokerage house has internal capital adequate in quantity, quality and structure to cover the risks to which it is or may be exposed. The regulations also impose obligations on the brokerage to ensure that the internal capital and liquid assets estimation process is regularly reviewed, adapted to changes in the business, and independently assessed and reviewed by internal audit and appropriately documented. Definition of the detailed scope of the remuneration policy and the way it is determined in order to adapt the remuneration level to the risk profile of the brokerage house - this is done by defining the principles of the remuneration policy on variable components of remuneration and setting the criteria for determining the fixed and variable components of remuneration, (iii) introduction of clear criteria for identification of brokerage houses and persons to whom the requirements for deferral and payment of remuneration in financial instruments do not apply, which is necessary to ensure compliance with the supervision exercised by the Financial Supervision Committee and equal conditions for their operation; (iv) those who perform internal control functions, those who perform compliance monitoring functions, those who perform internal audit functions and those who perform risk management functions shall be remunerated for the achievement of the objectives of their tasks, independent of the performance of the activities they control. Their remuneration will be directly overseen by the remuneration committee, or by the supervisory board where no such committee has been established. The provisions of the regulation do not apply to variable components of remuneration due for 2021 and previous years. The regulation entered into force within 14 days of its publication.

The Company exercised due diligence in order to comply with obligation under Regulation of the Minister of Finance on estimation of internal capital and liquid assets, risk management system, supervisory examination and assessment, and remuneration policy in a brokerage house and a small brokerage house. However, it cannot be excluded that a given rule or



requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

5.3 Employment information

As of December 31, 2021, the Group employed 605 people, including 404 people employed by the Company. The Group's employment structure is dominated by IT staff. The Group does not employ a significant number of temporary workers.

The table below presents information on the number of employees of the parent company and its foreign branches and Group Companies as at the dates indicated therein.

	AS AT	
	31.12.2021	31.12.2020
Parent Company	404	335
Foreign branches	95	112
Group Company	106	85
Total	605	532

5.4 Major research and development achievements

In the reporting period, the Company conducted works in compilation and developing of highly innovative, comprehensive solutions in the field of transactions and Internet investments ("R & D"). The main aim of the above works is to develop innovative technologies and solutions which could allow further development of products offered to clients.

Applied research and development aimed to develop of necessary tools for effective functioning of XTB's transactional systems as well as modernization and upgrade of CRM systems in accordance with identified needs. The elimination of errors and providing the functionality and safety of systems and database were those which focused on research areas. Also research and development focused on development of new electronic trade systems. The main types of activities in terms of research and development contain:

- developing the IT infrastructure of XTB, which amongst others would ensure effective network, continuous servers' development as well as other active device in XTB,
- creating new or improving current software solutions supporting XTB operations;
- creating and developing significant transactional applications and CRM systems,
- developing solutions in the area of increasing work safety in the network as well as external access,
- developing solutions in data storage security,
- creating and implementing new and innovative hardware, software and program solutions in the company,
- analysis of product development opportunities, in terms of current technological solutions,
- improving the level of security of the processed data, both in terms of data storage and transmission protocols.
- creating new or improving current software solutions used by XTB clients in the process of trading on financial instruments,
- creating new or improving existing software solutions used by XTB clients in the process of opening an account and when using back-office modules (deposits, withdrawals, account updates, etc.).



6. Statement and information of the Management Board

Statement of the Management Board of XTB S.A. on the reliability of preparation of the consolidated and separate financial statements

The Management Board of XTB S.A. declares that, to the best of its knowledge, the consolidated and separate financial statements for 2021 and comparative data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear financial and financial situation and the financial result of the Group and the Company, respectively. In addition, the Management Board declares that activity report contains a true picture of the development and achievements of the Group and the Company, respectively, including a description of the basic threats and risk.

Information of the Management Board of XTB S.A. about appointing an audit company to audit financial statements

Hereby, the Management Board of XTB S.A. informs that on the basis of the statement of the Supervisory Board, an auditing company authorized to audit financial statements, undertaking consolidated and separate financial statements for 2021 was selected in accordance with the regulations, including the selection and procedure for selecting an audit firm. At the same time, the Management Board of XTB S.A. informs that the audit company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report on the annual consolidated and separate financial statements, in line with the binding provisions of the law and professional standards and that the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods are observed. In addition, the Management Board of XTB S.A. informs that the Issuer has a policy of selecting an audit firm to carry out statutory audit of XTB S.A. financial statements and the policy of carrying out the permitted non-audit services by the audit firm conducting the audit, by entities related to this audit firm and by any member of the network to which the audit firm belongs, including services conditionally exempt from the prohibition of provision by an audit company.

Warsaw, 8 March 2022

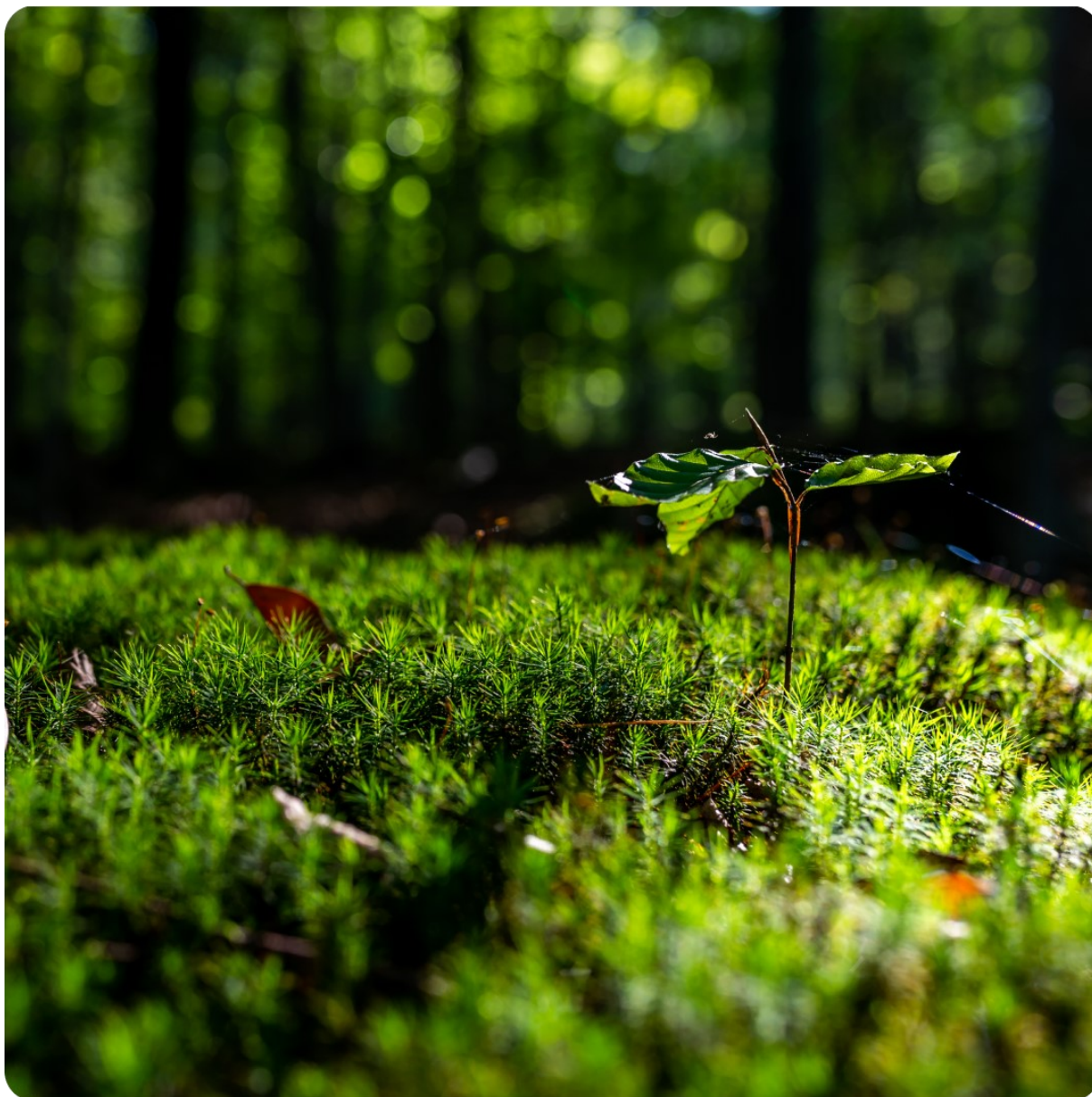
Omar Arnaout
President of the
Management Board

Filip Kaczmarzyk
Member of the
Management Board

Paweł Szejko
Member of the
Management Board

Jakub Kubacki
Member of the
Management Board

Andrzej Przybylski
Member of the
Management Board



NON-FINANCIAL STATEMENT

of XTB S.A. Capital Group
for 2021

Warsaw, 8 March 2022





1 Publication Basis

This Non-Financial Statement of XTB S.A. Capital Group (XTB Capital Group, Group, XTB Group) has been prepared under Article 55 point 2b in conjunction with Article 49b of the Accounting Act.

This Statement covers information regarding XTB Capital Group companies for 2021. Preparation of this XTB Statement has been based on the Non-Financial Reporting Standard (NFRS) issued by the Reporting Standards Foundation. This Non-Financial Statement complies, in principle, with NFRS, subject to incompatibility of sectors provided for in NFRS with the business conducted by XTB Capital Group as well as substantially limited operating activities of subsidiaries functioning within XTB Group, making assignment of certain NFRS indices to the business of a specific subsidiary inexpedient.

2 Organisation of XTB Capital Group

2.1 Business Profile

XTB S.A. (XTB, Company) is one of the largest Forex and CFD brokers in the world, listed on the stock exchange and specialising in trade in financial instruments, present on markets in Europe, Asia, Latin America and other.

Since 2016, XTB has been listed on the Warsaw Stock Exchange. XTB Capital Group comprises foreign branches and subsidiaries, according to the structure presented further in the Statement.

XTB Group supplies products, services and technological solutions in the scope of trade in financial instruments. XTB specialises in OTC market and, in particular, CFD derivatives that are investment products and the return on which depends on fluctuations of prices and values of instruments and underlying assets.

XTB Group operates in two segments: retail activity and institutional activity. The retail activity of XTB Group includes mainly online trade in derivatives based on underlying assets and instruments traded on financial and commodity markets, serving mostly retail customers. As regards institutional customers, XTB Group offers technologies allowing such customers to offer trading in financial instruments under their own brand to their own customers. XTB Group is also a liquidity provider for institutional customers.

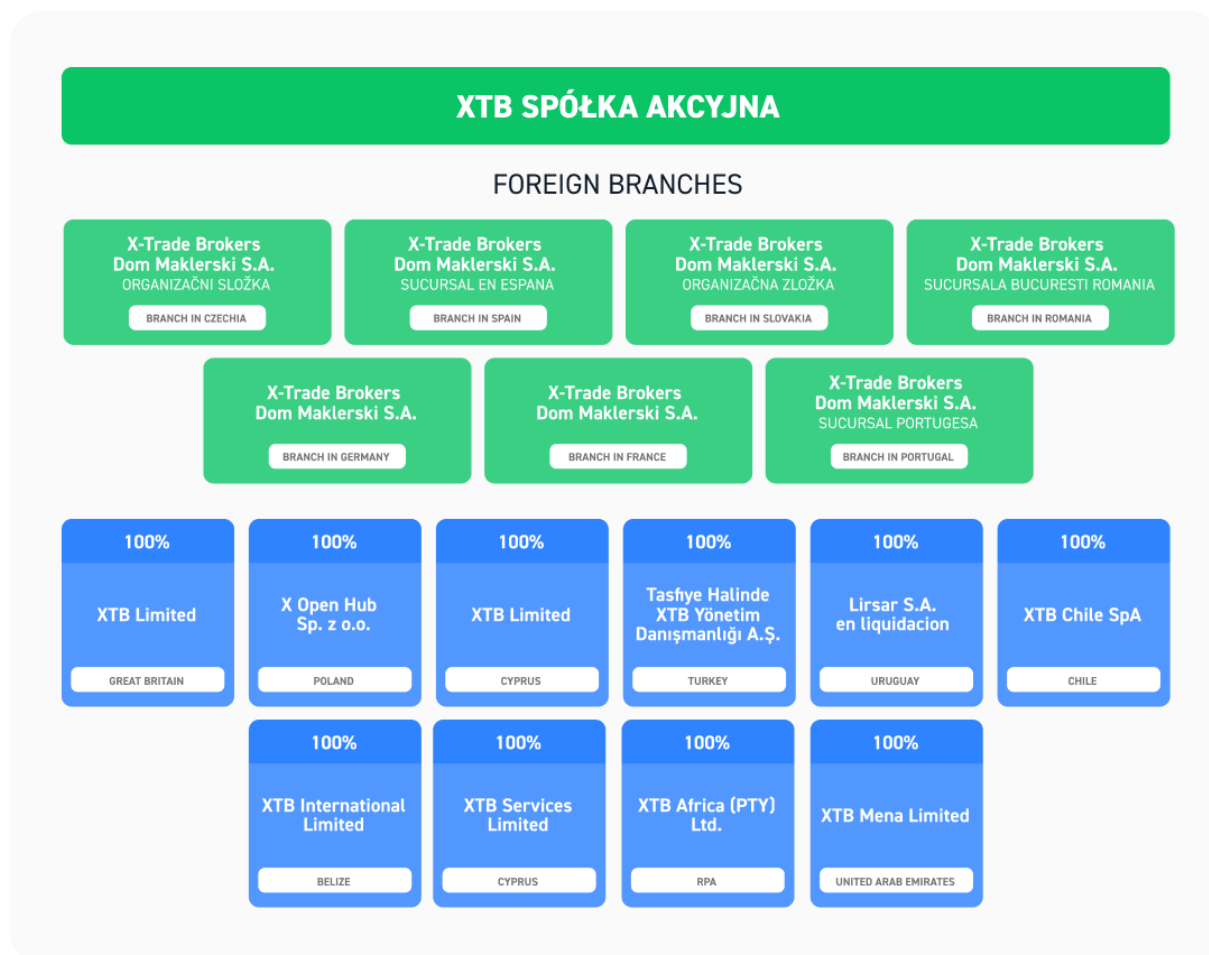
XTB Group offers their customers various transaction execution options, depending on the advancement level of the given customer (from a beginner to an expert) and access method (smartphone, web interfaces, PC applications).

The functionality of XTB Group's offer allows the customers to open accounts, deposit funds in them, place orders and transfer funds between the accounts as well as ordering statements via the Internet. The basic technology of XTB Group uses software designed to ensure functionality and scalability.



2.2 Management of Non-Financial Assets in XTB Group

As at 31 December 2021, XTB Group comprises XTB, as the Parent Entity, and 10 subsidiaries. XTB also has 7 foreign branches. The diagram below presents the Group structure as at 31 December 2021.



For detailed information regarding individual subsidiaries and branches, see *Management Board's Report on the Operations for the Year Ended on 31 December 2021*, Section: *Description of Group's Organisation*.

There were no major changes in the business model of XTB Group in the financial year.

The key processes of the operating activities are those connected with supply of proprietary technology to the users (responsibility for this area lies with XTB's IT Department) and those related with customer acquisition and support. The processes related to customer acquisition and support are conducted both directly by XTB in Poland as well as through branches and subsidiaries operating on the local markets. XTB is also responsible for coordination of activity of individual subsidiaries and branches, management processes, setting of development targets for the businesses functioning in particular countries, setting budgets and financial targets, procedural standards, supervising accomplishment of the above. Subsidiaries and branches employ from several to several dozen persons. Thus, the majority of operating processes is carried out by XTB in Poland and the activity of subsidiaries and foreign branches, in



principle, supports the sale and ensures compliance with local regulations required for the conducted business. In consequence, also in terms of ESG-related issues, the most important processes and solutions regarding management of non-financial issues are executed by XTB in Poland, and creation of developed corporate solutions and dedicated policies for specific subsidiaries must be considered ineffective.

Bearing the above in mind, identification of essential management areas and related risk, also in relation to non-financial aspects, is carried out at the level of XTB in agreement with individual organisational units functioning in the subsidiaries.

This process is related to the continuous assessment of impact on the surrounding and the risk connected with individual areas of interaction with stakeholders. Furthermore, the assessment takes into consideration on-going changes (including but not limited to legal, economic and social changes) in the surrounding. These aspects are identified and assessed in detail in accordance with the relevant procedures regarding identification of threats and assessment of risk for the given area.

The companies belonging to XTB Group take individual actions to meet the requirements of local regulations.

On the other hand, XTB is the addressee of information regarding effects of activities in specific ESG areas, including but not limited to situations where these effects could result in breach of effective laws and related financial liability or image-related repercussions. Therefore, according to the best knowledge, this Non-Financial Statement does not omit any information that could have a significant impact on the reliability of description of the impact of XTB Group on social issues, employment-related issues, natural environment, respect for human right, counteracting corruption or climate-related issues.

The following areas where relations of high significance exist are identified in the business activities and management processes.



Area of relations	Examples of impact
Customer relations	<ul style="list-style-type: none"> • supply of reliable software • marketing communication • educational and training activities
Relations with employees	<ul style="list-style-type: none"> • ensuring good work conditions • development of employees' competences • educational activities
Relations with regulators	<ul style="list-style-type: none"> • ensuring compliance of conducted business with local regulations • preventing breaches of effective regulations • prevention of unethical conduct
Occupational health and safety	<ul style="list-style-type: none"> • ensuring a safe work environment
Impact on the environment	<ul style="list-style-type: none"> • energy consumption • environmental education

Identification of stakeholders

Considering the nature of the business activity conducted by XTB Group, the following key groups of stakeholders are identified for the purpose of management processes:

- employees,
- retail and institutional customers,
- prospective customers - persons interested in education regarding financial markets,
- suppliers,
- competitors,
- state institutions, including local supervisory authorities,
- media,
- shareholders, analysts and prospective investors.

The needs and expectations of stakeholders are regularly identified, including identification of legal requirements and feedback obtained from specific groups of stakeholders.

Communication with stakeholders

For the purpose of due communication with its stakeholders, XTB publishes information on the assumptions of its strategy, including long-term goals and planned actions, on its website.

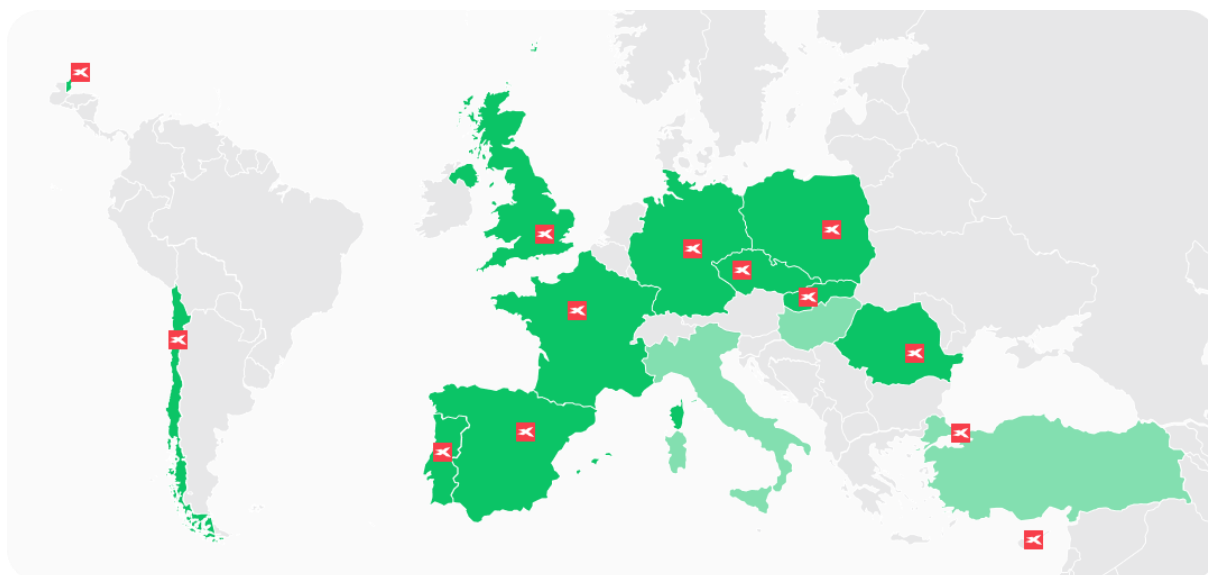
The strategy implementation process, determined by means of financial and non-financial measures, is presented in current and periodical reports. The Company holds quarterly meetings for investors, inviting especially shareholders, analysts, industry experts and media representatives. As a stock exchange-listed



company, XTB publishes periodical reports every quarter. Its reports for supervisory institutions are prepared at least once a month.

For information regarding actions taken in terms of communication and education of retail customers, see point Communication with the customer of this Statement.

Business sites



XTB Group conducts its business activity based on licences granted by the regulators in Poland, United Kingdom, Cyprus, Belize and United Arab Emirates. The business of XTB Group is regulated and subject to oversight of competent authorities on the markets where the Group operates, including EU Member States, on the basis of the so-called single European passport. Currently, the Group focuses on developing its business on 12 key markets, including Poland, Spain, Czech Republic, Portugal, France and Germany, while Latin America, Asia and Middle East are considered the priority regions of further expansion of the Group.

Both in Poland and in other countries, the Group conducts its business in rented properties only. These include office space and IT infrastructure space.

3 ESG Strategy

The ESG Strategy of XTB Group was adopted in Q4 2021.

As part of its ESG Strategy, XTB puts emphasis on continuation of previously applied solutions and fulfilment of commitments in the area of environmental protection and sustainable development. In connection with the aforementioned, XTB set targets to be gradually accomplished. Taking various initiatives in this area will allow to build environmental awareness not only among employees, but also among customers and business partners. The intention of XTB is continuous increase of involvement in corporate social responsibility projects.



OUR VALUES

SUPPORT

TECHNOLOGY

TRUST

The ESG Strategy is based on three pillars, i.e. i) Environment, ii) Social Responsibility, iii) Corporate Governance.

Environment	Social Responsibility	Corporate Governance
<ul style="list-style-type: none"> • Taking care of the natural environment at the work place. • Implementation of a number of solutions aiming at more efficient management of natural resources. • Aiming at reduction of the organisation's carbon footprint. • Building environmental and climatic awareness among employees and co-workers. 	<ul style="list-style-type: none"> • Ensuring immediate access to financial markets around the world. • The paramount goal of XTB Group is economic education of the society. • XTB shares knowledge and experience, cooperating with universities and other institutions. • The XTB team is composed of ambitious people who are supported in continuous development and accomplishment of their goals. 	<ul style="list-style-type: none"> • XTB is one of the largest stock exchange-listed Forex & CFD brokers in the world. • XTB Group's business is subject to financial oversight on international financial markets, including but not limited to: FCA, BaFin, ACPR, CySEC, IFSC.

The ESG Strategy document is available on the corporate website of XTB. Information regarding implementation of the ESG Strategy is presented in consecutive non-financial statements and reports of XTB Group.

Information regarding planned initiatives in individual areas is described further in this Statement.

As of December 2020, XTB's stocks are WIG-ESG index-listed. The purpose of the WIG-ESG index is measurement of the value of portfolio of stock exchange-listed companies qualified to WIG20 and mWIG40 Indices, verified by means of the adjustment factor, i.e. assessment of the level of observance of environmental, social and corporate government principles in the business activity.



4 Description of the Capital Group's Business

4.1 Description of Basic Products and Services

XTB Group is an international supplier of products, services and proprietary technological solutions in the scope of trade in financial instruments. XTB Group specialises in the OTC market and, in particular, CFD derivatives.

XTB's product offer



FOREX

Forex (Foreign Exchange Market) is the largest financial market in the world. Trading on the Forex market takes place 24 hours a day, 5 days a week. XTB offers ca. 500 CFD instruments based on currency pairs.



INDICES

CFDs are derivatives. This means that you are not actually becoming the holder of the underlying instrument - you simply speculate whether its price will increase or decrease. XTB offers over 40 CFD instruments based on stock indices from the entire world: USA, Germany, China.



COMMODITIES

Thanks to commodity/raw material CFD transactions, customers can invest in instruments based on such raw materials as gold, silver and oil. This enables earning on speculations on raw material prices, i.e. price increase and decrease. XTB offers selection of over 20 raw material CFD instruments.



STOCKS

XTB offers access to stock CFDs and regular stocks.

Stocks are securities confirming participation in the given enterprise. They combine property rights (right to dividend) with non-property rights (voting right).



ETF

The exchange-traded fund (ETF) is an investment fund the purpose of which is faithful representation of the given index, and the participation titles are listed on the stock exchange.

XTB's offer includes both ETF CFDs and cash instruments.



CRYPTOCURRENCIES

Cryptocurrencies are a form of electronic currency created and stored electronically. XTB offers a CFD instrument, which means that you do not have to purchase the cryptocurrency physically. All you need to do is invest and speculate on future fluctuations of prices, without holding of the underlying instrument.

XTB has made 15 CFD derivatives based on cryptocurrencies available

At the end of 2021, the Group's offer included over 5 400 financial instruments from around the world. These included over 2 100 CFD derivatives with a leverage, including nearly 50 based on currency pairs,



ca. 20 based on commodities as well as ca. 40 based on indices and 15 based on cryptocurrencies, ca. 1 900 based on stocks of stock exchange-listed companies in 16 countries and over 100 based on American and European ETFs. The offer of XTB includes also over 3 200 cash instruments, including over 3 000 stock instruments and nearly 300 ETF instruments from the European markets.

The environmental and social aspects are not the dominant factor in designing the product offer. Nevertheless, the XTB's offer includes financial instruments (e.g. ETFs) enabling investments in climate-aware entities or entities classified to indices factoring in ESG criteria. Furthermore, the XTB's offer includes financial instruments related to the rights to CO2 emissions (EMISS contract) and XTB is considering extending its offer with instruments supporting direct management of selected aspects of the climate risk, e.g. weather derivatives.

4.2 Suppliers

Materials used and services provided to the Group

As part of its business activity, XTB Group cooperates with providers of services supporting organisational, marketing, analytical processes, IT development as well as supporting the trading area. The activity of these entities is located mainly in Europe and USA.

In most cases, cooperation with suppliers is of permanent nature. In specific cases, single-time cooperation is also possible to pursue a specific goal.

The key suppliers of XTB are providers of services supporting XTB's customer service processes (including providers whose services contribute to automation of the above processes) as well as providers of services used in the trading area (e.g. providers of market data).

As regards other supplies, these include, in particular, purchase of IT hardware, energy and office supplies.

No cases of violation of employees' rights by the suppliers of XTB Group were identified in years 2020-2021. Due to the profile and location of activity of the suppliers, XTB Group has not identified suppliers who could pose a threat to the right to freedom of association and collective disputes or who could violate such rights.

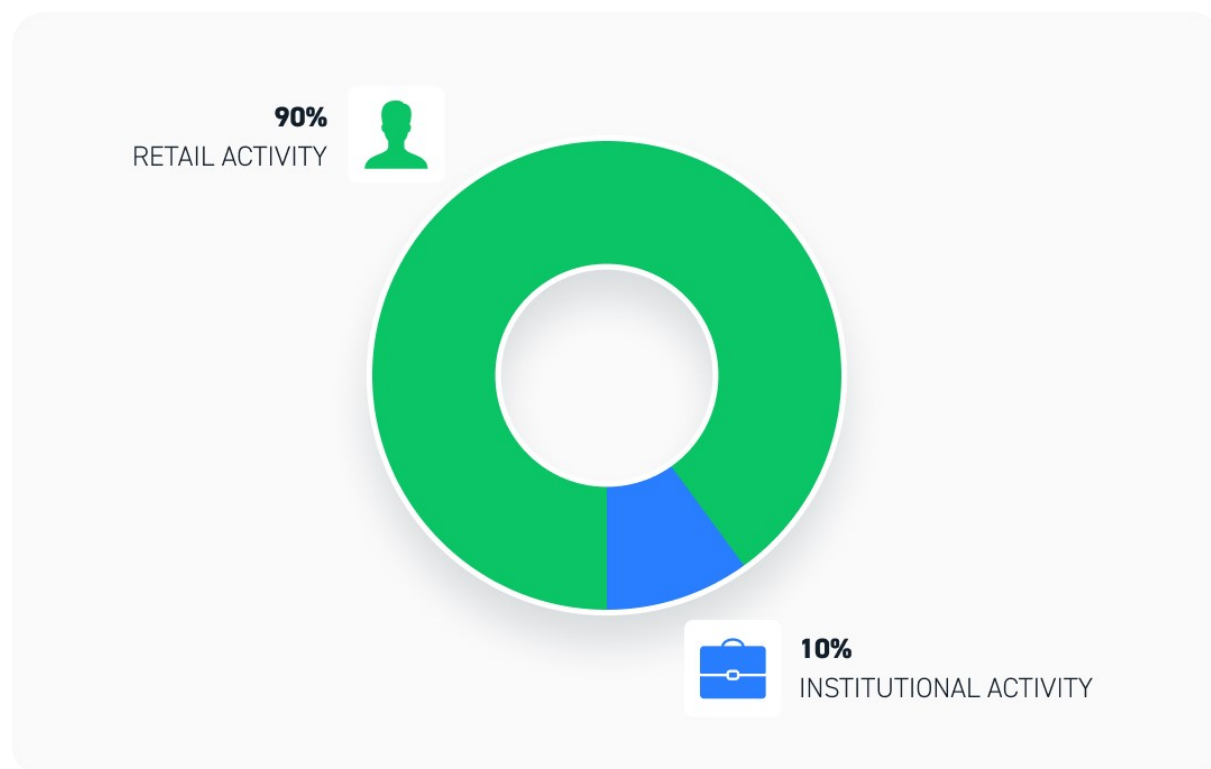
Reliance on suppliers

Due to the nature of conducted business activity, XTB Group does not rely on any suppliers.

4.3 Customers

XTB Group operates in two segments:

- retail activity,
- institutional activity.



In 2021, the retail activity segment generated ca. 90% of the total volume of the Group's turnover, while the institutional activity segment - ca. 10%.

Retail segment

The retail activity of XTB Group includes mainly online trade in derivatives based on underlying assets and instruments traded on financial and commodity markets, serving mostly retail customers.

The retail customers of the Group are granted access to the front-end type trading platform and a number of its components as well as back-office systems.

The customer base of XTB in the retail segment is characterised with the following parameters: i) new customers, ii) total number of customers and iii) average number of active customers.

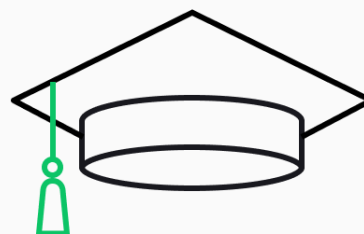
In 2021, XTB's Group acquired 189 187 new customers and their total number was 429 157. On the other hand, the number of active customers (i.e. customers who executed at least one transaction in 2021) was 190 452.



Communication with the individual customer and educational activity

From the very beginning of its existence, XTB pays special attention to education regarding the functioning of financial markets. The paramount goal of XTB is building investment awareness and facilitation of access to economic knowledge to everybody. XTB makes sure that any person interested in the functioning of financial markets has access to the necessary knowledge. Most educational materials prepared by XTB are available to the prospective customers for free.

These materials include nearly 100 hours of educational trainings in a video version, available on the xStation platform developed by XTB, and tens of articles shared as part of the so-called Trading Academy.



The authors of trainings are both XTB's internal specialists as well as external experts from the financial markets. The variety of subjects and advancement levels makes them valuable for both beginning and advanced investors.

Furthermore, depending on individual needs, customers can participate in the regular conferences and webinars organised by XTB.

No penalties were imposed on the XTB Group companies and no breaches of such companies were recorded with regard to competition regulations in 2020-2021.

In 2021, non-conformities in the area of Internet marketing communication conducted by the XTB branch with the local regulations were identified on the French market. After identification of irregularities in this area, actions were taken immediately to adapt communication to the regulatory requirements. Nevertheless, in connection with the situation that took place in 2021, a penalty was imposed on the French branch, but it was not significant from the point of view of the business activity of XTB Group.

No penalties related to breach of marketing communication regulations were imposed in years 2020-2021.

Institutional segment

As regards institutional customers, XTB offers technologies allowing such customers to offer trading in financial instruments under their own brand to their own customers. XTB is also a liquidity provider for institutional customers. Institutional customers include, without limitation, brokerage houses, start-ups and other financial institutions. Institutional customers are granted full access to the management settings and functions, branding system and risk management tools.

In the institutional segment, the average number of active customers in 2021 was 22, and the total number of customers was 38.



Reliance on recipients

Due to the nature of the primary business activity, focused on retail customers, there is no risk of becoming reliant on any recipient.

4.4 Cooperation with Contractors

Contracts with the contractors do not include any clauses regarding ethical, environmental or human rights-related clauses in a scope other than resulting from the locally governing law.

The XTB's business model does not provide for participation in public tenders. In 2020-2021, the XTB Group companies did not participate in any tenders of this type.

The XTB Group companies did not order any audits regarding the environmental, OHS, human rights or ethical areas in years 2020-2021. XTB's Group contractors did not order any XTB audits in the above areas either.

4.5 Commercial Contracts and Transactions

Due to the nature of the conducted operating activities and generation of revenues mainly based on individual contracts concluded with natural persons, with concurrently dispersed group of suppliers, XTB Group did not conclude any significant contracts regarding its operating activities in years 2020-2021.

4.6 Public Aid

In the period from 2020-2021, the Company received financial support in the form of de minimis aid from the National Training Fund (NTF). In 2020, the gross amount of financial support was PLN 28 thousand, in 2021 the financial support from NTF amounted to gross PLN 30.2 thousand.

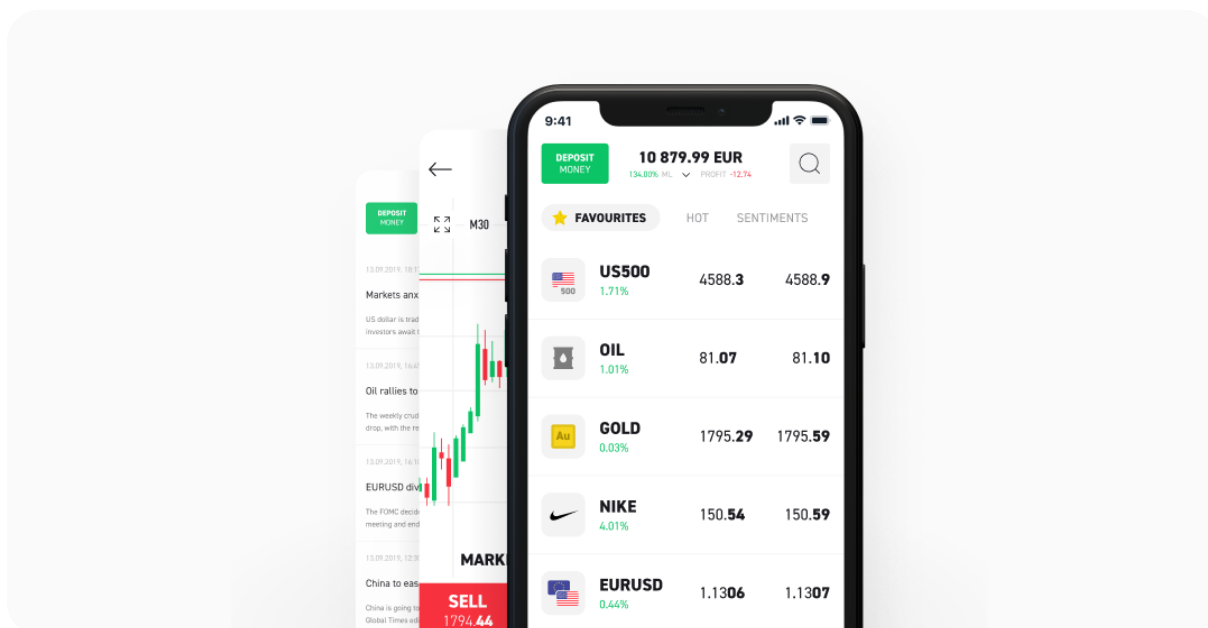
At the same time, the Company enjoyed no preferential treatment in relation to other entities, adhering to common and uniform support criteria.

Apart from that, the XTB Group companies did not use any public support.

The XTB Group companies did not use any support resulting from the so-called anti-crisis shields.

4.7 Technology Development

XTB is developing the functionalities of its proprietary trading system -xStation -to meet the expectations of the customers. Works consisting in creation and development of highly innovative, comprehensive solutions in the area of online transactions and investments ("R&D works") were carried out in the reporting period. The purpose of the above works is development of innovative technologies and solutions enabling further development of products offered to the customers.



The R&D works performed in 2021 aimed at development of tools needed for efficient functioning of XTB's transactional systems as well as modernisation and upgrading of CRM systems to align them with identified development needs. The research areas focused mostly on elimination of errors and ensuring functionality and security of system operation, including databases. R&D works aiming at development of new electronic trade systems were also carried out. The main types of activities performed as part of R&D works include, inter alia:

- development of new or upgrade of existing software solutions used by XTB's customers in the process of trade in financial instruments,
- development of new or upgrade of existing software solutions used by XTB's customers in the process of account opening and during use of the back office modules (deposits, withdrawals, account update, etc.),
- development of XTB's IT infrastructure in order to, inter alia, ensure an effective network, continuous improvement of servers and other devices active in XTB,
- development of new or upgrade of existing software solutions supporting XTB's business,
- creation and development of the key transactional applications and CRM systems,
- development of solutions in the scope of improvement of security of work on the web and remote access,
- development of solutions in the scope of data retention security,
- development and implementation of new innovative hardware, hardware-software and software solutions in the company,
- analysis of possible product development, including in terms of existing technological solutions,



- work on improvement of the level of security of processed data, both with regard to data retention and transmission protocols.

5 Employment

5.1 XTB's HR Policy

The HR Policy of XTB is strictly connected with the company's mission and strategy. The guidelines of the HR Policy aim at effective management of human resources through effective selection, support of development and retention of the team of employees that will guarantee performance of the business activities planned by the Company at the highest level. The HR Policy is based on the assumption that the most important factor of the Company's success is its staff and, thus, the paramount goal is continuous striving for creation of the best work places and work conditions possible that enable development of competences.

The aim of the HR Policy includes, in particular:

- acquisition of the optimal number of employees having specific qualifications and professional potential required to ensure proper staffing of specific organisational units of XTB by means of a professional recruitment process;
- support in the process of identification of employees with the organisation's goals and mission;
- shaping of attitudes and standards of conduct of employees compliant with internal regulations, ordinances and procedures effective in XTB;
- ensuring professional stabilisation, counteracting turnover of employees and retaining highly qualified and valuable staff;
- support of development of specialised qualifications required to perform tasks and accomplish set goals;
- creation of an incentive system based on proper shaping of work conditions in combination with the remuneration, promotion and bonus system as well as assessment of professionalism and performance.

Areas of operation in the scope of HR Policy include:

- employment planning;
- recruitment;
- employees' performance assessment;
- retention of employees (incentivising, remunerating, promoting, granting of bonuses);



- development of employees (individual professional development programmes, trainings).

All XTB Group entities rely on the assumptions of the HR Policy.

Detailed provisions regarding the above area are included in the HR Policy document and related procedures.

Dialogue with employees

The documented dialogue with employees usually takes place in the mode of e-mail communication or online meetings.

The results of XTB Group, on-going strategy implementation and strategic plans for the next period are communicated to the employees by the President of the Management Board quarterly or every six months.

During the pandemic, the President of the Management Board updated the information regarding remote work on a current basis, addressing communications to the employees of the entire XTB Group.

An anonymous global survey of satisfaction of XTB's employees was carried out at the turn of 2020 and 2021, offering the employees an opportunity to express their opinion with regard to such areas as training and development, motivation, communication, work environment, efficiency as well as management and relations. Additionally, the employees had an opportunity to present their opinion about the employer and to make requests. The survey aimed also at determination of expectations regarding remote work during the pandemic and preferences regarding work in the hybrid form. The results of the global satisfaction survey have been published and are available to all XTB's employees.

In connection with the planned return to hybrid work at the end of 2021, changes in the work regulations and remote work regulations as well as rules effective in the XTB's office during the COVID-19 epidemiological threat were consulted with representatives of employees.

5.2 Ensuring Diversity

Managerial approach to diversity

The employees of XTB Group have different talents, skills, traits, personalities, experiences, personal situations, views and other attributes. XTB Group recognises diversity and equal treatment of all employees, governing bodies and key managers as fundamental due its deep conviction that diversity, as a fundamental value of the contemporary society, has a material impact on development, competitiveness and innovativeness of the organisation. This approach aims at full use of the employees' potential, skills, talents, passion, knowledge and qualifications.

XTB Group creates an organisational culture oriented at accomplishment of the organisation's goals through building of internal teams diversified in terms of sex, age and qualifications, making problem



solving more efficient, improving work atmosphere, improving creativity of design teams and making sharing of knowledge more effective.

The employees of XTB Group are diversified in terms of sex, age, education, qualifications, professional experience, nationality, ethnic origin, religion, creed, atheism, political views, health condition, sexual orientation, family status, lifestyle, place of residence, form, scope and basis of employment. To them, XTB Group ensures respect, tolerance and equal treatment at work as well as creation of a work environment conducive to utilisation of all these differences for the benefit of the organisation.



Diversity management consists also in inclusion of provisions in XTB's policies and procedures that regard counteracting discrimination, mobbing and other regulations determining the standards of equal treatment, protection against violence, sexual abuse or unjustified dismissal. The principles of equal treatment in employment are described in internal documents, including but not limited to the work regulations, and are available to the employees.

According to the effective whistleblowing procedure, all employees and co-workers are obliged to react if they witness exclusion or harassment of their colleagues.

In October 2021, XTB joined the Signatories of the Diversity Charter and, thus, took another step towards social cohesion and equality. The Charter is a commitment signed by organisations that decided to implement a ban on discrimination at the work place and to work towards creation and promotion of diversity, and it expresses the readiness of the company to involve all employees as well as business and social partners in such activities.



In years 2020-2021, there were no cases of discrimination, mobbing or sexual harassment reported in XTB Group. No cases of breach of human rights were reported in the above period either.

Diversity policy regarding the Members of the Company's Management Board

As regards diversity in connection with appointment of the Company's governing bodies, **the Diversity Policy for the Members of the Company's Management Board** was adopted. XTB ensures diversity of qualifications and competences in terms of education, professional experience and skills of the selected staff, including the management staff, to guarantee comprehensive and reliable performance of entrusted tasks. Furthermore, under the Diversity Policy, in the recruitment process the governing bodies take into consideration professional qualifications, reputation, professional experience, predispositions to perform obligations on the given position or in the given function as well as diversity in terms of sex, age, place of origin and education. The members of XTB's governing bodies specialise in various areas of knowledge and have diversified industry-related experience corresponding with their current function. The individual competences of the members of XTB's governing bodies are complementary in order to ensure the appropriate level of collective management in the organisation.

5.3 Employment Structure

Bearing in mind the business model of XTB Group, the main groups of employees are IT specialists and persons working in the customer support areas.



Figures regarding employment are presented below.

Criterion			XTB Group	
			2021	2020
contract of employment (in full-time equivalents)	below 30 y.o.	total	266	197
		women	93	67
		men	173	130
	30-40 y.o.	total	284	259
		women	82	71
		men	202	188
	40-50 y.o.	total	42	38
		women	11	10
		men	31	28
	over 50 y.o.	total	5	7
		women	0	1
		men	5	6
contract of employment for an indefinite term (in full-time equivalents)	below 30 y.o.	total	179	138
		women	57	51
		men	122	87
	30-40 y.o.	total	262	226
		women	73	60
		men	189	166
	40-50 y.o.	total	41	36
		women	11	9
		men	30	27
	over 50 y.o.	total	4	7
		women	0	2



		men	4	5
other (contracts of mandate)	below 30 y.o.	total	17	7
		women	4	2
		men	13	5
	30-40 y.o.	total	0	0
		women	0	0
		men	0	0
	40-50 y.o.	total	0	0
		women	0	0
		men	0	0
	over 50 y.o.	total	1	0
		women	1	0
		men	0	0

The highest employment diversity understood as diversity of functions and positions is recorded in the Parent Entity in the XTB Headquarters. The employees of subsidiaries and branches are mainly persons responsible for support of sale processes on the local markets.



Shares of key categories of positions and functions in the XTB Headquarters, i.e. without department activities, are presented below.

Area/position	2021	2020
IT area	39%	27%
sale area	3%	3%
customer service area	24%	19%
other specialised positions	13%	29%
management positions	14%	15%
executive positions	7%	7%

Information regarding staff turnover is presented below.

Criterion			XTB Group	
			2021	2020
hiring of employees	below 30 y.o.	total	139	97
		women	47	32
		men	92	65
	30-40 y.o.	total	54	46
		women	21	11
		men	33	35
	40-50 y.o.	total	7	8
		women	3	2
		men	4	6
	over 50 y.o.	total	0	1
		women	0	0
		men	0	1



employees leaving	below 30 y.o.	total	68	53
		women	23	14
		men	45	39
	30-40 y.o.	total	41	29
		women	12	8
		men	29	21
	40-50 y.o.	total	2	2
		women	2	0
		men	0	2
	over 50 y.o.	total	1	2
		women	0	1
		men	1	1
	including in connection with acquisition of old-age pension or disability pension rights	total	0	10
		women	0	2
		men	0	8

staff turnover ratio	2021
total	20,0%
women	22,2%
men	19,4%



The information regarding cooperation of XTB Group under civil law contracts is summed up below.

Criterion			XTB Group	
			2021	2020
civil law contracts	number of civil law contracts at the end of the period	total	54	46
	number of civil law contracts concluded in the period	total	50	23
	number of civil law contracts terminated/concluded in the period	total	33	15

In the period of 2020-2021, the number of the disabled employed by XTB Group was 10 and 11, respectively.

No persons were hired in the outsourcing mode or as temporary employees in 2020. On the other hand, the number of employees with whom XTB Group (in Poland and Cyprus) cooperated on the outsourcing basis in 2021 was equal to 13.5 full-time equivalents.

There are no trade unions in any of XTB Group companies. According to the law, representatives of employees have been appointed in the XTB Headquarters in Poland.

There were no collective disputes in 2020-2021.

In 2021, there was no situation recorded where a woman resigned from work after giving birth and returning to work within 12 months from that return. On the other hand, 3 such cases took place in 2020 in XTB Group.

Considering its business model, XTB Group does not envisage hiring employees from economically weaker countries for the purpose of performance of the so-called low-cost tasks. XTB Group ensures also equality of the terms of employment on similar positions - even if an employee comes from a less economically developed country, he/she is employed on terms equal to those offered to employees from Poland, EU or other regions of the world.



5.4 Employment Conditions

Remuneration system

According to the internal remuneration system, the employees receive remuneration for work corresponding to the type of work performed by them and qualifications required for this purpose, taking quality and quantity of performed work into account. The internal remuneration regulations lay down the principles and conditions of remuneration for work and services connected with work as well as the terms of granting them.

The employee remuneration, rotation and promotion system of XTB is implemented through creation of mechanisms incentivising the employees to improve the quality and effectiveness of performed work. Due to the intention to enrich the remuneration system with non-wage benefits and striving to increase integration and identification of the employees with the company, the persons employed in the XTB Headquarters are covered by the package of additional benefits. The remuneration/promotion system is built in cooperation with directors of departments of the XTB Headquarters by the HR Management Department. The employee remuneration system and scope of non-wage benefits in the departments are determined by the directors of departments in cooperation with regional directors.

The promotion, incentivising and bonus policy takes into account the needs in terms of vacant positions, planned budgets of departments of the headquarters/foreign departments as well as assets allocated to human resources, qualifications of employees and assessment of their performance.

The general rules of the remuneration policy aim at ensuring alignment of the system of remuneration and additional benefits for the employees with pursuit of the long-term development strategy as well as consideration of the costs adopted in the financial plan, concurrently ensuring compliance of risk and functional stability management.

Gender Pay Gap Ratio

In the scope of remuneration, the Company applies market rules, i.e. it makes the value of remuneration of employees conditional upon, in particular, possessed knowledge, professional experience and substantive contribution to the Company's development.

The organisation carries out periodical analysis of the remuneration of men and women in all Departments. If any discrepancies are detected, the Head of the Department is consulted and remedial actions are taken if needed.

Information regarding the Gender Pay Gap Ratio (GPGR) for XTB Headquarters is presented below. The Company presents the ratios for XTB Headquarters due to the highest diversity of positions in XTB Headquarters in comparison to other organisational units, i.e. foreign branches and subsidiaries where employees on sale positions are predominant.



GPGR is expressed as a percentage calculated as the absolute value of difference of the product of average monthly pay of women divided by the average monthly pay of men and number 1. The ratios are presented taking into consideration the base salary as well as base salary plus extra benefits.

XTB Headquarters		2021
GPGR (based on base salary)	Employees on managerial positions	12%
	Employees on executive positions	1%
	Employees on positions other than above	19%
GPGR (base salary plus extra monetary benefits, awards, etc.)	Employees on managerial positions	15%
	Employees on executive positions	6%
	Employees on positions other than above	12%

The Company explains that ca. 40% of employees of XTB Headquarters are IT Department employees (especially software developers) whose remuneration value and predominant share of men in this category result in a gender pay gap. The high remuneration of this professional group is related to the pay pressure on the labour market and need to acquire and retain high class specialists in this area. This dependency is, however, typical for the IT industry and does not apply only to XTB.



Bearing the aforementioned in mind, the above ratios are presented excluding IT Department employees.

XTB Headquarters excluding IT Department		2021
GPGR (based on base salary)	Employees on managerial positions	0%
	Employees on executive positions	0%
	Employees on positions other than above	8%
GPGR (base salary plus extra monetary benefits, awards, etc.)	Employees on managerial positions	8%
	Employees on executive positions	7%
	Employees on positions other than above	6%

The difference between the rate based on base salary and the rate based on based salary plus extra benefits is related mainly with higher share of men employed in the Trading Department and Sale Department where additional benefits (i.e. including but not limited to bonuses and premiums) are higher than analogous benefits on administrative positions.

The relation of the lowest remuneration in the Company (based on conversion into full-time equivalents) to the average remuneration of the members of the Management Board in years 2020-2021 was ca. 0.08.

Non-wage benefits

Information regarding non-wage benefits available in the Company is presented below.

- private healthcare - available for persons cooperating with the Company both under a contract of employment and contract of mandate;



- refund of costs of corrective glasses - available for Company's employees;
- holiday vouchers - employees' entitlement;
- holiday allowances - available for employees;
- MyBenefit platform and Multisport package - available for employees and persons hired under contracts of mandate;
- group life insurance - available for employees.

The scope and form of non-wage benefits in the subsidiaries are adjusted to the local conditions and standards in the area of remuneration of employees and include, for instance, additional healthcare services, group insurance or holiday gifts.

Promotion of health

In 2021, XTB provided flu vaccines to its employees for the eleventh time. The employees who did not or could not get vaccinated in XTB's office on the given date had the opportunity to get vaccinated for free within the framework of the medical subscription in the selected health care centre.

XTB improves the employees' awareness in the scope of environmental protection and health promotion. Health protection is promoted by means of such actions as the European Breast Cancer Day or Movember - organisation of meetings with medical doctors regarding health prophylaxis.

Additionally, XTB finances projects connected with promotion of sport activities among its employees, support the XTB team playing in the business football league.

XTB plans to introduce a health day for its employees when they will have an opportunity to undergo the most important prophylactic examinations, with its goal being the increase of involvement in promotion of more sport disciplines.

Satisfaction survey

Satisfaction surveys are carried out once a year for the entire XTB Group - information is collected by means of anonymous questionnaires completed by the employees online. The satisfaction survey report is made available to all employees.

5.5 Employees' Development

Managerial approach

XTB puts emphasis on creation of conditions conducive to long-term professional development of employees and continuous improvement of professional qualifications. Creation of proper conditions for development of employees aims at effective use of human resources and ensures professional



performance of duties and entrusted tasks. Employees' career planning and development are considered both in the context of personal development of the employee and XTB's requirements in the scope of desired competences and qualifications of the staff.

The means intended for improvement of qualifications are included in the budgets of specific XTB departments. The training budget of foreign branches is determined by each branch director. The employees are delegated to trainings by their immediate superiors, according to the requirements in terms of improvement of their education level.

XTB promotes willingness to gain specialised qualifications by its employees, reimbursing costs of passed exams, e.g. obtaining broker, investment advisor or CFA licences, etc.

External trainings

The main training categories include:

- technical (IT area);
- specialised (regarding improvement of professional knowledge, including post-graduate studies, CFA, ACCA, MBA, ICA, course preparing to obtain the broker's licence, etc.);
- training in the scope of soft skills
- language courses (co-financing of education, reimbursement of language course costs, access to the eTutor foreign language e-learning platform).

In 2020, in XTB Headquarters:

- 6 persons used co-financing of studies and post-graduate studies, including MBA;
- 2 persons used co-financing of language courses;
- 12 persons used the eTutor foreign language e-learning platform - 178 training hours were used;
- 20 persons participated in conferences
- 7 persons participated in technical trainings (IT area);
- 28 persons participated in specialised trainings
- 39 persons participated in trainings in soft skills

In 2021, in XTB Headquarters:

- 5 persons used co-financing of studies and post-graduate studies (co-financing for employees who continue studies during subsequent semesters was maintained and, thus, participation in education costs is planned also for the years to come);
- 30 persons participated in conferences
- 45 persons participated in technical trainings (IT area);



- 28 persons participated in specialised trainings
- 30 persons participated in trainings in soft skills
- 4 persons used co-financing of language courses;
- 31 persons used the eTutor foreign language e-learning platform - 226 training hours were used;

In 2021, XTB Group held over 160 trainings, including IT trainings, specialised trainings, trainings connected with foreign languages as well as soft skills. In 2021, XTB Group trained ca. 260 persons, offering nearly 4.5 thousand training hours.

In 2020, XTB's employees did not use training leaves. On the other hand, 1 person used training leave in 2021.

In 2020, XTB received funds from NTF and used it to finance trainings for the group of 19 employees, including 9 women, with regard to the following areas:

- 14 persons - trainings in accounting, bookkeeping, banking, insurance, investment analysis;
- 5 persons - trainings in the area of IT and computer use.

On the other hand, trainings for the group of 13 employees, including 2 women, were organised in 2021 using NTF funds. The subject of all trainings was IT and use of computers.

Internal training system

XTB acts with due diligence to ensure that employees have a level of knowledge and competences adequate to the scope and nature of performed activities, enabling compliance with the effective legal requirements and recommendations of the supervisory authorities, ethical standards, and to ensure they act in compliance with fair trade principles and in the best interest of the customer or prospective customer.

The rules of functioning of the training system are described in the dedicated *Procedure for Educational Trainings and Confirmation of Knowledge and Skills of Employees*.

From the point of view of training criteria, XTB divided employees into authorised and unauthorised employees to whom dedicated training platforms were made available.

Authorised employees are employees authorised to supply information on brokerage services provided by XTB and financial instruments covered by XTB's offer to the customers or prospective customers. Authorised employees are hired in the Global Customer Support Department, Analysis Department, Customer Service Department, Sale Department and External Partner Cooperation Department, and they are obliged to participate in the mandatory educational programme.



Furthermore, authorised employees are obliged to:

- regular participation in additional educational trainings in the principles and mode of provision of brokerage services, held by XTB in connection with legal changes or introduction of new legal regulations applicable to XTB's business,
- regular participation in additional educational trainings provided by XTB with regard to features and characteristics of financial instruments offered by the Company or to be introduced in XTB's offer,
- taking the annual knowledge and competence test by authorised employees, and passing it with a positive result.

If an authorised employee fails to take the knowledge and competence test, he/she is deemed to be in breach of employee's duties, which can result in the authorised employee being unable to continue work for XTB.

The obligation to participate in the educational programme for new employees is also imposed on non-authorised employees. In such a situation, training materials are transferred automatically via the education platform on the first days of work.

In addition to the mentioned educational programme, a closed training was organised in 2020 for the management staff of XTB regarding the issue of remote management, challenges and methods of effective action, communication with a team working in a remote mode, building commitment in the remote work formula. The programme was deployed in the online formula for 24 managers and team leaders. In 2021, a dedicated training in an analogous formula was provided to the group of 30 employees of the IT Department of XTB in the scope of management, addressed mainly to the management staff and persons planning their professional development in the area of team management.

Additionally, the HR Department of the XTB Headquarters conducts the "First Day at XTB" training - it is an onboarding training held on the first day of work for all new employees, including trainees and persons hired under contracts of mandate. In 2020, 121 persons participated in the onboarding training. On the other hand, 178 persons participated in such onboarding trainings.

Employee performance assessment system

The employee performance assessment system is an essential area of HR management in XTB. Obtaining reliable information is an essential element of the HR Policy, enabling formulation of the assessment of employee's performance, taking into consideration his/her competences, possibilities, motivation and contribution to performance of tasks.

The assessments are carried out for the following purposes:

- improvement of quality and effectiveness of work of XTB's employees;
- providing feedback to the employee with regard to the assessment of his/her performance;



- recording and promoting accomplishments;
- improving employees' motivation;
- identification and analysis of potential problems, mistakes in performance of obligations;
- making sure the superior can make reasonable staff-related decisions, including planning of individual professional development of employees (delegation to trainings).

The assessments are carried out objectively, professionally and reliably, so as to reflect the actual level of performance of duties and work performed by the assessed employee. The employees are subject to continuous, on-going assessment carried out by immediate superiors as well as periodical assessments. Continuous assessment is carried out by the immediate superior and its purpose is informing the subordinates about the quality of their work and fulfilment of entrusted duties. It is carried out in the form of routine and periodical communication between the employee and his/her immediate superior. Periodical assessments of employees' performance are carried out quarterly or annually, depending on the department and position. The quarterly employee performance assessment is carried out, inter alia, by the superiors from the Customer Service, Trading and Sale Departments.

The annual assessment applies to employees of other departments, higher tier employees and management staff who are assessed by their immediate superiors.

Development Review programme - career planning

XTB has introduced the Development Review programme the purpose of which is support in planning of professional development, gaining knowledge and new competences.

A survey is carried out once a year to ensure support in career development within the organisation. The results of the survey help in career planning and reaching employees with accurate career-related proposals.

Internship programmes

In pursuit of one of the aspects of the diversity policy, XTB provides internships and professional trainings to university students and graduates with various professional profiles. XTB has launched the internship programme called the IT Academy. The purpose of the IT Academy is promoting knowledge that XTB is not only a brokerage house but, first and foremost, also a FinTech organisation, creating proprietary IT products based on various technologies. XTB conducts periodical recruitment of candidates for internships in software engineering who, having completed the onboarding period under supervision of a mentor, join selected teams using technological innovations. In addition to the IT Department, internships held by the XTB Headquarters were organised in the Marketing, Analysis, Risk, Legal, Trading, Controlling, Customer Service and Global Business Development departments.

Internships are organised by the XTB Headquarters all year long. In 2020, 19 trainees completed internships in the XTB Headquarters. The highest number of internships, i.e. 9, were held in the IT Department. In 2021, 39 trainees completed trainings in the XTB Headquarters, including 28 persons participating in the IT Academy programme.



The internship programmes are also implemented in the foreign branches but, due to the scale of activity of specific branches, cooperation in this area regards usually one or two interns - mostly in the marketing or sale departments.

6 Occupational Health and Safety

In connection with announcement of the state of epidemic, an ordinance regarding rules of safe work was adopted. The ordinance contained also information on mandatory use of personal protection equipment and adaptation of the work station and entire office space to the pandemic situation. Furthermore, the assessment of occupational risk threats was updated, taking into account the above factor irrespective of the employee's location. Instructions in case of suspected COVID infection in an employee have also been prepared. The Work Protection Committee has been appointed to lay down the rules of occupational health and safety in XTB's offices in connection with the pandemic.

The employees were informed on a current basis by e-mail about the government and internal rules and regulations (including guidelines of the General Sanitary Inspectorate) introduced in connection with the Covid-19 pandemic. Additionally, the directors of branches and subsidiaries informed their employees about the local conditions and recommendations in the given region. The employees were informed on a current basis about health prophylaxis and safety-related needs, option of counselling and e-appointments in case of any troubling symptoms as well as about the mode of reporting any cases of actual or suspected coronavirus infections. Additionally, the employees were informed about the availability of psychologist appointments and participated in webinars regarding stress management.

In March 2020, most employees shifted to remote work - only several dozen people responsible for supervision and technical support for others stayed at the office. The Remote Work Rules were adopted in March 2020. In 2021, work in the remote mode continued. Decisions on acceptance of on-site work by the employee in the office were made by the directors of the individual organisational units.

In May 2020, anonymous survey was carried out among employees with regard to remote work. In December 2020, a survey by means of anonymous online questionnaires regarding dealing with stress during the pandemic, opinion on remote work as well as potential remarks and commentaries in this scope was carried out. Based on the results of the above survey, internal trainings were carried in the form of webinars with regard to stress and task management.

In 2020, XTB adopted the information policy encouraging its employees to get vaccinated. The policy was continued also in 2021.

In years 2020-2021, XTB Group recorded no accidents at work or accidents connected with accidents at work.

The OHS Committee, established under the effective laws, has been functioning in XTB since 2018.



There are no positions for which the threshold limit values (TLV) or permissible exposure limits (PEL) are exceeded and there are no positions for which the level of assessed occupational risk is unacceptably high.

No cases of occupational diseases were identified in 2020-2021.

7 Environmental Aspects

Impact on the environment

Considering the nature of the conducted business, based mostly on IT and office activities, XTB Group has not identified any major impact on environmental aspects.

Providing its services, XTB uses IT infrastructure, office supplies and electricity. The generated waste includes, first and foremost, IT hardware and municipal waste.

Thus, the business activity of XTB Group is characterised with relatively low impact on the natural environment. This activity does not cause any major emissions and does not generate a major amount of waste. XTB Group does not use any major raw materials or materials either.



The rented office space is located at urban sites, typically in business centres - these sites are not protected areas in terms of biodiversity. Subject to the waste generated in the course of conducted business activity, the specific sites do not generate any major negative impact on the surrounding.

Nevertheless, XTB takes a number of initiatives connected with environmental protection, including but not limited to:

- initiatives connected with energy efficiency of used infrastructure,
- document digitalisation,
- reduction of waste production as well as waste sorting and recycling,
- education of employees - Natural Investment programme,
- new seat of the company - as of January 2022, the seat of XTB is located at a new site, awarded the sustainable building certificate - the building of the new XTB seat was designed with environment in mind, as shown by the excellent level BREEAM certificate and 100% of energy used by Skyliner originates from renewable energy sources,



- activities in the scope of monitoring and calculation as well as initiatives aiming at reduction of the company's carbon footprint.

Waste

The generated waste is classified as household waste and includes mostly packaging and typical office waste. Due to the low scale of generated waste, the XTB Group companies were not obliged to registration in the BDO (Waste Database) register.

Waste is sorted in the offices. Trash bins for waste sorting, along with full instructions regarding proper waste sorting, are placed in the kitchens.

The used electronic equipment is regularly transferred to recycling. Recycling of used computer equipment is carried out through specialised companies that collect the equipment from XTB. The equipment transferred to recycling includes mainly PCs, laptops, screens, telephones and printers. Replaced IT hardware that is still suitable for use is given to charity.



Environmental education programme

XTB has launched an environmental educational programme for XTB's employees entitled Natural investment. This programme was developed to improve environmental awareness of XTB, creating a friendly work place where we place emphasis on the care for the environment and efficient use of natural resources.

The purpose of the programme is encouraging environmentally-friendly behaviours at the work place which may, at the same time, translate into good habits in everyday lives of the employees.

The programme includes a number of actions aiming at reduction of impact on the environment, including but not limited to:

- saving of water and electricity by means of information reminding about switching off the lights, saving water, etc. placed around the office;
- reduction of printing and copying of documents, etc. through periodical mailing and posting of information reminding about the need to save paper at the printers;
- waste sorting in the common office parts, with full sorting instructions. Special sorting trash bins are placed in the kitchens;
- collection of waste paper;
- collection of used batteries in a special container placed in each kitchen, to be then transferred to the relevant collection centre;
- collecting plastic caps and transferring them to the collection centre or donating them to support charity actions;



- promoting environmental days, such as the day without your car, through placement of specific information in the common office parts;
- no to food waste - sharing food in fridges, monitoring of food thrown away;
- gradual replacement of traditional flipcharts with whiteboards;
- replacement of plastic kitchen accessories with biodegradable and compostable utensils;
- elimination of plastic cups at the water dispensers;
- limitation of procurement of disposal accessories;
- increase in the number of plants in the office space.

The priority is to implement all solutions covered by the programme in the new seat of XTB in Warsaw. The goal of XTB in the environmental area is continuous increase of environmental awareness of employees. Extension of the Natural Investment programme to cover the branches and subseries is planned to achieve cohesion of the environmental policy in work place adopted by the Group.

Fuel and electrical energy consumption

The sources of direct fuel use are business cars and power generators.

Information regarding direct use of fossil fuels by XTB Group is presented below.

Fuel type	UNIT	2021
Diesel oil	t.	1,79
petrol		0,89

The most important sources of electrical and heat energy consumption are offices and the server room. Information regarding direct use of electrical and heat energy by XTB Group is presented below.

Energy type	UNIT	2021
electrical energy	MWh GJ	385,0
heat energy		4 374,8

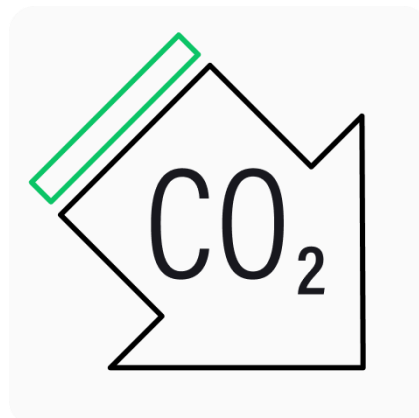


Climate-related issues

Due to the nature of the primary activity of XTB in the form of financial services (online trade in financial instruments) and supply of technological solutions, from the point of view of environmental impact, including climate changes, the XTB's business can be characterised as a typical office activity and activity related with maintenance of IT infrastructure the most important impact area of which is consumption of purchased energy.

Considering the aforementioned, the impact of the conducted business activity on emission of greenhouse gases is significantly limited in comparison to such industries as manufacture, construction or power engineering.

The XTB's intention is, however, taking actions aiming at gradual reduction of carbon footprint and, as a target, reaching climate neutrality of the organisation.



The above is planned to be accomplished, in particular, by means of:

- initiatives reducing energy consumption, including but not limiting to the possessed IT infrastructure,
- use of electrical energy from renewable sources,
- long-term cooperation in the area of forestation,
- effective management of resource consumption.

XTB Group identifies impact on the climate area in the following scope:

- impact on emission of greenhouse gases originating from direct use of fuels,
- indirect impact connected with consumption of purchased electrical and heat energy,
- indirect impact connected with suppliers' activities;
- education of employees and co-workers in the scope of climate awareness.

Concurrently, the climate issues have (or may have in the future) impact on the following areas:

- legislative changes imposing the obligation to incur capital expenditures limiting energy intensity of IT infrastructure;
- impact on the possessed product offer in the scope of instruments used for the purpose of climate risk management;



- possibility of intensification of local, sudden weather phenomena that could have an effect on physical destruction of office sites and IT infrastructure;
- growing prices of electricity and heat.

Information regarding greenhouse gas emissions the source of which is XTB Group is presented below.

The sources of emission ratios for Poland were publications of KOBIZE (National Emission Balancing and Management Centre) and the Energy Regulatory Office. The sources of emission ratios for other countries included, in particular, the UK Government Conversion Factors (Defra)

	Unit	2021
Emissions resulting from fuel consumption (Scope 1)	Mg CO ₂ e	7,9
Emission related to energy consumption (Scope 2)		560,9
Total emissions (Scope 1 and 2)		568,8

The climate issues have not been taken into consideration in the decision-making processes of XTB Group so far. The impact of the primary operating activity (taking into account also the product offer and the source of revenues and costs) on climate issues can be considered immaterial in comparison to the impact of organisations with a similar scale of activity and functioning in traditional sectors of the industry or construction. Nevertheless, the XTB's intention to reduce the impact on the natural environment (including but not limited to the climate) has become one of the basic criteria taken into consideration when making decisions in the area of business and administrative support.

The intention is also incorporate of the climate risk in the risk management system effective at the level of XTB Group.

Concurrently, the following actions are planned to be taken:

- monitoring of carbon footprint for the organisation, as a target: in three scopes;
- as part of the long-term initiative - entering into cooperation with a third-party organisation to plant trees and take care of a forest together with XTB employees.
- systematic limitation of paper consumption;
- building environmental awareness among employees as part of subsequent initiatives of the Natural Investment programme and among business partners through incorporation of the ESG area in the Company's business strategy.



Water consumption

Supply of water and collection of sewerage is provided by local municipal entities, according to the contracts concluded with building owners. Due to the location of the seat and offices in office buildings, the Group companies use only water from water supply systems. The total water consumption of XTB Group in 2021 was ca. 177.6 m³.

8 Impact of COVID-19 Pandemic on Non-Financial Issues

In March 2020, the World Health Organisation stated that the disease caused by the COVID-19 coronavirus can be referred to as a pandemic. In connection with the development of the disease around the world, all countries take various actions aiming at the limitation or delaying of its spread. The measures taken have an increasing impact on the global economy. This situation affected the more than average fluctuations on financial and commodity markets, causing a great transactional activity of customers and translating into an increase in the Group's revenues and growth of the customer base.

In addition to the impact of the COVID-19 pandemic on the work conditions and activities related to, for instance, education in the health area described earlier herein, XTB has not identified any impact of the pandemic on other non-financial aspects, including but not limited to those referring to environmental issues, human rights or counteracting corruption.

9 EU Non-Financial Taxonomy

For the purpose of this Statement, the analysis of share of the EU non-financial taxonomy-eligible and taxonomy-non-eligible activities in total turnover, capital expenditure and operating expenses was carried out, including adequate quality information in the scope regarding the ratios for financial year 2021. The presented ratios refer concurrently to the taxonomy related to mitigation of climate changes and adaptation to climate changes.

For the purpose of this Statement, compliance with taxonomy is not disclosed.

In relation to the presented ratios, the Group has no comparative data for 2020. So far, the Group has not implemented the plan referred to in Point 1.1.2.2. of Annex No. 1 to Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (Regulation 2178). XTB Group has no investments in equity accounted in joint ventures, pursuant to IFRS 11 or IAS28.



a) turnover ratio

Turnover ratio - percentage of taxonomy-eligible turnover		
	revenues (PLN thousand)	share in revenues (%)
Taxonomy-eligible economic activity	0	0,0%
Taxonomy-non-eligible economic activity	PLN 625 595 thousand	100,0%
TOTAL	PLN 625 595 thousand	100,0%

For the turnover ratio:

- the basis were the consolidated total revenues of the Group in 2021 disclosed in the consolidated financial statements, i.e. PLN 625 595 thousand;
- for the purpose of numerator analysis, no revenues on sales of products and services connected with the activity of XTB Group covered by the EU non-financial taxonomy were identified.

The XTB Group companies did not issue any green bonds or debt securities to finance specific identified types of taxonomy-aligned activities.

b) CapEx ratio

CapEx ratio - percentage of taxonomy-eligible CapEx		
	capital expenditure (PLN thousand)	share in capital expenditure (%)
Taxonomy-eligible economic activity	PLN 188 thousand	1,5%
Taxonomy-non-eligible economic activity	PLN 12 349 thousand	98,5%
SUMA	PLN 12 537 thousand	100,0%

For the CapEx ratio:

- the basis was the capital expenditure incurred by XTB Group in the amount of ca. PLN 12 537 thousand, calculated according to IAS/IFRS regulations specified in the Annex to Regulation 2178;
- for the purpose of numerator analysis, capital expenditure connected with the EU non-financial taxonomy-aligned activity in the amount of ca. PLN 188 thousand were identified.

The taxonomy-eligible capital expenditure includes a single investment covering fixed assets (means of transport) financed by way of lease and regarding the activity provided for in point 6.5 of the taxonomy



related to mitigation of climate changes and adaptation to climate changes. The said capital expenditures were disclosed in the books of accounts according to IFRS 16 Lease, point 53, letter h).

XTB Group has not adopted any investment plan regarding capital expenditure referred to in point 1.1.2 of Annex No. 1 to Regulation 2178. The Group companies did not issue any green bonds or other securities to finance specific identified taxonomy-eligible capital expenditure.

c) operating expense ratio

operating expense ratio - percentage of taxonomy-eligible operating expenses		
	operating capital expenditure (PLN thousand)	share in operating expenses (%)
Taxonomy-eligible economic activity	0	0,0%
Taxonomy-non-eligible economic activity	PLN 24 185 thousand	100,0%
TOTAL	PLN 24 185 thousand	100,0%

As regards the ratio of operating expenses, the analysis of components of operating expenses was carried out according to the definition of the EU non-financial taxonomy, showing that the value of the denominator for the turnover ratio is ca. PLN 24 185 thousand. The value specified above includes, in particular, non-capitalised costs of research and development works amounting in total to ca. PLN 23 736 thousand, which accounts for 98% of the value of identified operating expense, and expenses connected with on-going servicing of the Group's fixed assets and their maintenance in proper condition (including but not limited to costs connected with repairs, renovations or cleaning) amounting in total to ca. PLN 449 thousand.

Considering the business model of XTB Group consisting in supply of products, services and technological solutions in the scope of trade in financial instruments and due to the fact that the value of identified operating expenses is considered immaterial from the point of view of the scale of activity of XTB Group, for the purpose of calculation of the ratio of operating expenses, the option to assign zero as the value of the ratio numerator was used.



10 Business Ethics

Code of Ethics

XTB Group acts with due diligence to ensure that the conducted activities comply with the law, internal regulations, standards recommended for the compliance management system in the scope of corruption counteracting as well as the whistleblower protection system in stock-exchange listed companies organised by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.), rules of community life, good market practice and rules of fair competition, and all decisions regarding the activity of XTB Group are made in the appropriate mode, based on reliable data and in a manner mitigating the risk of conflicts of interest.

As of 2019, XTB has a Code of Ethics that lays down the basic norms, rules of conduct and values to be observed by all employees and co-workers.

All employees are obliged to act in a responsible and ethical manner, observe the rules arising from the Code of Ethics as well as to act fairly in all activities and contacts with other employees and business partners.

The Code of Ethics contains provisions regarding:

- ethical principles in mutual relations;
- ethical principles regarding loyalty, integrity and conflict of interest;
- ethical principles regarding gifts and loyalty towards contractors, business partners and retail customers;

Analogous solutions are applied by subsidiaries through common use of developed rules of procedures and corporate relations within XTB Group.

The ethical aspects are a major element of the onboarding training for all new employees of the Company. All new employees familiarise with internal procedures and regulations, including the Code of Ethics, and undertake to comply with their provisions.

Formal references to respect for human rights within XTB Group are included in Work Regulations and in the Code of Ethics. Any doubts regarding compliance of conducted activities with aspects related to protection of human rights must be reported, in accordance with the Code of Ethics, as part of the whistleblowing procedure.

There were no complaints filed regarding potential breaches of ethical standards in 2020-2021. There were no complaints filed with regard to potential ethical breaches in 2020-2021.

Counteracting corruption

XTB has not adopted an official corruption counteracting policy. Nevertheless, the nature of conducted business as well as the regulations regarding XTB Group companies as financial market entities



(especially regulations regarding the area of counteracting money laundering and terrorism financing) impose various restrictions on the employees, shaping the awareness of specific organisational units in the scope of ethics of conduct, legal restrictions in relations with partners as well as sanctions connected with breaching them.

XTB Group has adopted an incentives management policy and conflict of interest management regulations. Furthermore, all centralised purchases (i.e. in Poland) are made according to the dedicated goods and services procurement procedure.

In years 2020-2021, XTB Group recorded no reported/confirmed cases of corruption.

Counteracting money laundering and terrorism financing

XTB is the so-called obliged entity within the meaning of the law on counteracting money laundering and financing of terrorism.

Considering the need to ensure compliance with the above regulations, XTB has adopted the so-called AML Procedure determining detailed solutions, including obligations of employees of specific departments in the scope of counteracting money laundering and terrorism financing. The said procedure lays down, inter alia, the rules of conduct and obligations connected with the above area for the employees of the Sale Department, Global Customer Support Department, Finance and Accounting Department, Legal and Compliance Department, External Partner Cooperation Department and IT Development Department.

No irregularities with participation of the employees of XTB Group were identified in 2020-2021 in the area of counteracting money laundering and terrorism financing.

Whistleblowing

XTB has a whistleblowing procedure in place which determines the rules of submitting by the employees of anonymous reports of actual or potential breaches of the law, including breaches of regulations regarding counteracting money laundering and terrorism financing, internal procedures and ethical standards. Breaches are reported using a dedicated electronic form ensuring anonymity. The reports are received by the Member of the Management Board for Legal Affairs, and if the breach regards the Management Board or its Members - by the Supervisory Board. Concurrently, if the local laws or regulations are more stringent than the rules provided for in the above procedure, the more stringent rules apply.

Employees are obliged by internal regulations, including but not limited to the ethical standards provided for in the Code of Ethics, to react to any irregularities. Every person has the right and can report the above breaches in a confidential manner and will be protected against retaliation, discrimination or any other types of unfair treatment, according to the whistleblowing procedure. All reports are considered with due diligence, reliably, fairly and with full discretion.



The reports are verified by authorised employees, which allows for reliable and impartial clarification of any objections.

11 Data Protection

For the purpose of protection of privacy and personal data, XTB has introduced the following internal procedures:

- Regulations of protection of the flow of confidential information and professional secrets in XTB
- XTB's personal data protection security policy
- IT security policy.

In years 2020-2021, the Company received no reports from any regulatory authorities regarding customers/employees/co-workers in the scope of breach of the law. In years 2020-2021, there were singular situations where customers reported breaches of their personal data. Appropriate activities aiming at mitigation of potential negative consequences of these events were taken in each such case. In certain justified cases, the President of the Personal Data Protection Office was notified of breaches of customers' personal data confidentiality.

In 2020-2021, XTB Group recorded no incidents connected with leakage, theft or loss of information regarding customers/employees/co-workers.

12 Compliance

XTB Group operates in a strictly regulated surrounding, with major obligations imposed on it in the form of many international and local regulations and laws. XTB Group is subject to regulation regarding, inter alia:

- sale practice, including acquisition of customers and marketing activities;
- maintenance of capitals at a specific level;
- practice in the scope of counteracting money laundering and terrorism financing as well as know your customer (KYC) procedures;
- obligations regarding reporting to regulators;
- obligations regarding protection of personal data and professional secrecy;
- obligations in the scope of protection of investors and supplying them with information regarding the risk related to provided brokerage services; and
- supervision over the Group's business;



- confidential information and its use, preventing unlawful disclosure of confidential information, preventing manipulations on the market;
- disclosing information as an entity listed on the regulated market.

The Group is subject to supervision by competent regulatory oversight authorities and public administration authorities in the jurisdictions where the Group operates.

The Group has established a compliance function for each of the Group companies providing brokerage services to ensure compliance with the law and regulatory requirements the Group is subject to.

The Legal and Compliance Department at the XTB Group level is managed by the Department Director who, at the same time, is the Member of the Management Board for Legal Affairs and reports directly to the President of the Management Board. The Legal and Compliance Department is divided into the following four teams: Internal Control Team, Compliance Supervision Team, Operating Support Team as well as Team Counteracting Money Laundering and Terrorism Financing. For the purpose of risk management, dedicated compliance regulations and a procedure connected with management of legal and regulatory risk were adopted in the above area.

Detailed information regarding description and management of regulatory risk is presented in the Management Board's Report on the Operations for the Year Ended on 31 December 2021.

In 2020-2021, no sanctions connected with breach of the law in the scope of environmental protection, human rights and employees' rights, occupational health and safety, corruption incidents, anti-competitive activities or data confidentiality were imposed on the XTB Group companies.

Detailed information regarding significant or potentially significant court proceedings and proceedings before administrative bodies is described in the Management Board's Report on the Operations for the Year Ended on 31 December 2021.

13 Risk Regarding Non-Financial Issues

Risk related to non-financial issues

Considering the business model of XTB Group, the key non-financial assets from the point of view of materiality for the Group's business are the employment, human rights, ethics and corruption counteracting areas.

Risk related to the employment area

XTB Group has adopted a dedicated HR Risk Management Policy laying down the rules and mode of management of this risk as part of the operating risk management policy.

Risk identification and assessment as well as risk counteracting methods are carried out and determined by the HR Management Department on a current basis.



Information regarding risk related to the employment area is presented below.

- key staff turnover,
- psychosocial factors - stress at work, intensified by isolation caused by the pandemic and remote work,
- long-term absence caused by sickness,
- high staff turnover,
- insufficiency of highly qualified specialists,
- fraud, embezzlement, unethical practice.

Determination of the impact of the HR risk consists in determination of the expected effects that will affect performance of tasks and accomplishment of the goals of the organisation. The detailed description of risk management is provided in the mentioned procedure.

Risk in the area of respect for ethics and human rights

In addition to potential financial consequences, any breaches of commitments, ethical standards or obligations related to human rights would result in damage to the Group's image, which could affect future relations with customers and prospective customers.

XTB Group identifies impact on social relations in the following areas:

- educational activities;
- respecting human rights.

XTB Group manages the above relations by means of actions in the area of reliable communication, observance of provisions of the Code of Ethics, transparent cooperation conditions and compliance.

Risk related to counteracting corruption

XTB Group's reliability and transparency in action is key for the image of XTB Group as a trusted provider of solutions in the scope of trade in financial instruments.

Any corruption incident could have a negative effect on XTB Group, potentially hindering business contacts in the future and harming the image of XTB Group as a trustworthy and reliable business partner. The activities connected with corruption risk management regard, in particular, compliance with the Code of Ethics as well as policies, procedures and regulations described earlier in this Statement.



14 XTB Foundation

The XTB Foundation was registered in December 2020.



The foundation's objects of operation include, in particular:

- increase in entrepreneurship and innovativeness, especially in the area of new technologies and financial market,
- improvement of awareness and knowledge related to the economy, finance and new technologies,
- scientific and research activities as well as promotion of solutions developed as part of the business activity of XTB Capital Group,
- supporting and organising all initiatives connected with promotion of financial institutions and new technologies;
- financial support, providing knowledge or business advising to selected entrepreneurs;
- actions in the scope of corporate social responsibility, sustainable development;
- promotion of employment and education as well as aiming at equal opportunity for development;
- initiation and support of activities of XTB Capital Group's employees;
- charity and social activity, especially aiming at providing equal opportunities and aid to the disabled and excluded persons.

The activity of the Foundation was limited in 2021 due to the Covid-19 pandemic and remote work mode. The said time was devoted to determination of the directions of action and search for possibility of cooperation with third parties for the purpose of pursuit of the statutory assumptions of the Foundation.

The annual statements of the Foundation are available on the corporate website of XTB Group.

In March 2021, computer equipment worth ca. PLN 6 thousand was donated to the Primary School in Piaseczno under a donation agreement.

Activities in the social area planned by the Foundation

- gradual extension of the knowledge base for every advancement level, gradual supplementation of our video educational materials with stenographic records to facilitate their reception to persons suffering from hearing impairments
- increasing involvement in programmes supporting development and innovativeness of Polish entrepreneurs



- gradual increase of expenditure on charity and development of the area of partnership in social projects, continuation of the programme of donation of the still operable electronic equipment replaced by the company to charity for the purpose of elimination of barriers and counteracting exclusion
- increasing involvement in environmentally-friendly projects, e.g. planting forests, intensified involvement in social projects, gradual increase in voluntary work
- taking actions to prevent exclusion of children and youth, economic education programme for children and youth and support of their education in natural sciences.

Irrespective of the aforementioned, subsidiaries took, depending on their scale, individual activities in the scope of charity, addressing them mainly to local medical centres and institutions.

Signatures of Managers

Omar Arnaout

President of the Management Board

Filip Kaczmarzyk

Member of the Management Board

Paweł Szejko

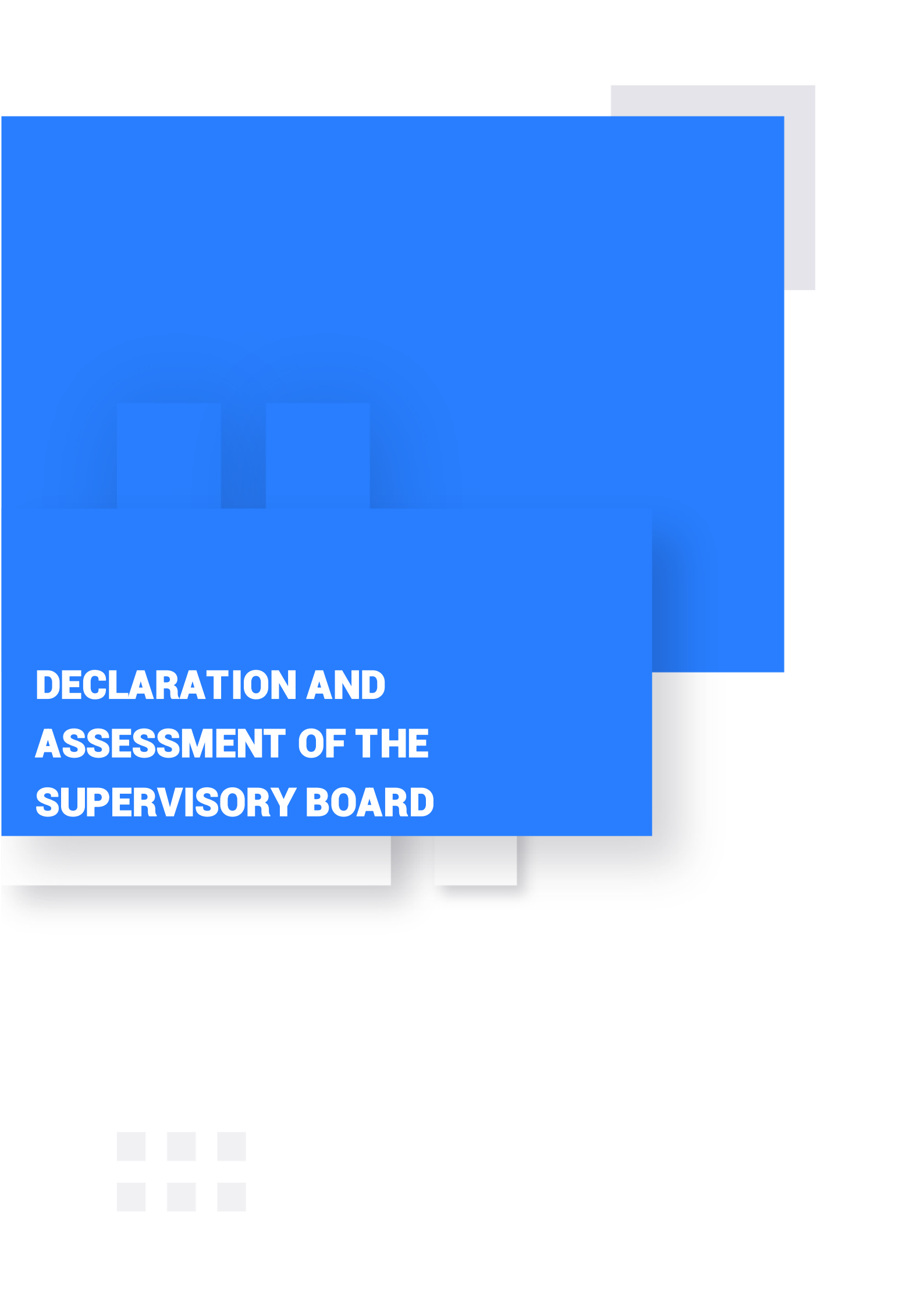
Member of the Management Board

Jakub Kubacki

Member of the Management Board

Andrzej Przybylski

Member of the Management Board



DECLARATION AND ASSESSMENT OF THE SUPERVISORY BOARD





Declaration and assessment of the Supervisory Board

Declaration of the Supervisory Board of XTB S.A concerning the Audit Committee

The Supervisory Board hereby declares that it is in compliance with the regulations concerning appointment, composition and functioning of the audit committee, including the requirements for its members to satisfy the independence criteria and the requirements concerning knowledge and abilities from the sector in which the Company operates as well as accounting and audit of financial statements; Moreover the Supervisory Board declares that the Audit Committee performed the tasks of the audit committee as provided by the applicable laws.

Supervisory Board assessment of the consolidated and standalone financial statements prepared jointly with the Management Board report on the operations of the Group and the Company

The Supervisory Board of XTB S.A has assessed the presented by the Management Board:

- the standalone financial statements of XTB S.A for the year 2021,
- the consolidated financial statements of Capital Group XTB S.A for the year 2021,
- the Management Board report on the operations of the Group and Company for the year 2021,
- non-financial statement of XTB S.A. Capital Group for 2021,

hereinafter referred to as 'statements'.

As a result of the assessment The Supervisory Board stated that Statements present truly and fairly all necessary information for assessment of financial standing of the Company and the Group and are in line with the ledgers, documents and the state of affairs.

The Supervisory Board of XTB S.A. positively assessed the financial statements on the basis of:

- the contents of the statements presented by the Company's Management;
- independent auditor's report on the audit of the consolidated and standalone financial statements for the year 2021, as well as additional report for the Audit Committee prepared in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 and the Act on auditors, audit firms and public supervision of 11 May 2017;
- meetings with the representatives of the audit firm, including the key statutory auditor;
- meeting with the Company's Management Board;
- the results of other verification activities made in selected financial and operational areas.

Warsaw, 8 March 2022

on behalf of the
Supervisory Board
Jan Byrski
President of the
Supervisory Board

WWW.XTB.PL





TRANSLATORS' EXPLANATORY NOTE Version dated 14.01.2022

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board XTB S.A.

Report on the audit of financial statements

Our opinion

In our opinion, the attached annual financial statements of XTB S.A. ("the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2021 and financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act").

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report on 8 March 2022.

What we have audited

We have audited the annual financial statements of which comprise:

- the statement of financial position as at 31 December 2021;

and the following prepared for the financial year from 1 January to 31 December 2021:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows, and

the notes comprising a description of the adopted accounting policies and other explanations.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors ("NSA") and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Law on Registered Auditors") and the Regulation (EU) No.



537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the "EU Regulation"). Our responsibilities under NSA are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

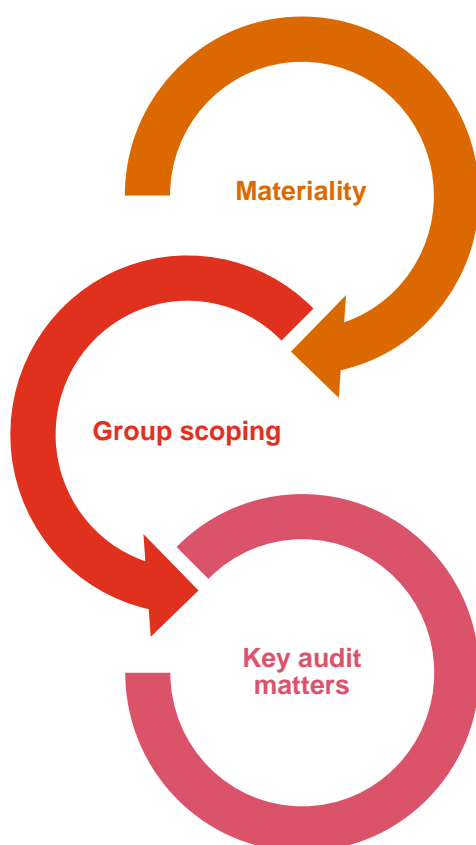
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



-
- The overall materiality threshold adopted for the purposes of our audit was set at PLN 14 320 thousand, which represents 5% of the profit before tax.
-
- We have audited the annual financial statement of the Company for the period ended 31 December 2021.
-
- Valuation of financial assets and liabilities and recognition of the result on financial operations.
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	PLN 14.320 thousand (24.900 thousand PLN in 2020)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	<p>We have taken profit before tax as the basis for determining materiality because we believe this measure is commonly used to evaluate the Company's operations by users of financial statements and is a generally accepted benchmark.</p> <p>We applied materiality at 5% because, based on our professional judgement, it is consistent with the level of quantitative materiality used in the examination of profit-oriented entities in the brokerage industry.</p>

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above PLN 716 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming

our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of financial assets and liabilities and recognition of result on operations on financial instruments</p> <p>The result on operations on financial instruments for the year ended December 31, 2021 amounted to PLN 555 840 thousand and constituted the most important item in the statement of comprehensive income of the Company. The value of financial assets at fair value through profit or loss and financial liabilities held for trading as at December 31, 2021 amounted to PLN 663 725 thousand and PLN 94 469 thousand respectively.</p> <p>The result on operations on financial instruments of the Company consists of realized and unrealized gains or losses and costs related to trading in financial instruments.</p> <p>The process of transacting with clients and performing valuations of derivative financial instruments is massive and involves large amounts of market data necessary for valuation.</p> <p>Given the above, this area requires significant effort and expertise in financial instruments and the use of information systems, which is why we have identified it as a key research matter.</p> <p>Information on accounting policies, as well as quantitative disclosures regarding the result on operations on financial instruments, financial assets at fair value through profit or loss and financial liabilities held for trading are described in notes 4.3, 4.13, 4.4, 5.1, 15 and 22 respectively.</p>	<p>As part of our audit procedures, we obtained an understanding of the Company's policies and procedures for entering into transactions and valuing financial instruments and recognizing the result thereof.</p> <p>We analysed the design and verified the effectiveness of the control mechanisms implemented by the Company in this area, including the process of concluding transactions with customers, the valuation process, as well as the risk management process, including limits on open positions.</p> <p>With respect to the IT systems by means of which transactions are concluded and financial instruments are valued, we obtained knowledge of the internal control mechanisms covering the area of change management and access control to the systems processing data on customer transactions.</p> <p>On selected populations of transactions, we performed independent valuation of financial instruments and analysis of correctness of recognition of valuation in the books as at the balance sheet date. Furthermore, with regard to the result on financial instruments, we performed detailed tests, including independent recalculation of the result on a sample basis, as well as reconciliation of selected transactions to source documentation and testing of system reports. In addition, we conducted an analysis of customer complaints and claims.</p> <p>Furthermore, we assessed the adequacy and completeness of the disclosures concerning the result on financial instruments, financial assets at fair value through profit or loss and financial liabilities held for trading in the financial statements in accordance with the accounting standards applicable to the Company.</p>

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation of the annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so process. The Company's Management Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the report on the operations

Other information

Other information comprises a Report on the operations for the financial year ended 31 December 2021 ("the Report on the operations") and the corporate governance statement which is a separate part of the Report on the operations, as well as a separate report on non-financial information and the Annual Report for the financial year ended 31 December 2021 ("Annual Report") (together "Other Information"). Other information does not include the financial statements and our auditor's report thereon.

Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing Other Information in accordance with the law.

The Company's Management Board is obliged to ensure that the Report on the operations together with the separate sections and the separate report on non-financial information complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover Other Information.

In connection with our audit of the financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

Moreover, we are obliged to issue an opinion on whether the Parent Company provided the required information in its corporate governance statement.

In addition, we are required to audit the financial information included in the Report on the operations in accordance with the scope described in this audit report and the requirements of the Financial Instruments Trading Act of July 29, 2005 (the "Trading Act").

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information") and art 110w point 1 of Trading Act;
- is consistent with the information in the financial statements.

Moreover, based on the knowledge of the Company and its environment obtained during our audit, we have not identified any material misstatements in the Report on the operations and Other information.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Company included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Chartered Accountants Act, we confirm that the Company has included in the Directors' Report information about the preparation of a separate report on non-financial information as referred to in Article 49b of the Accounting Act and that the Company has prepared such a separate report.

Report on other legal and regulatory requirements

I Information on compliance with prudential regulations

The Management Board of the Company is responsible for complying with the applicable prudential regulations set out in separate legislation, and in particular, for the correct determination of the capital ratios.

The capital ratios as at 31 December 2021 have been presented in Note 37 of the financial statements and include the total capital requirement.

We are obliged to give information in our report on the audit of the financial statements as to whether the Company has complied with the applicable prudential regulations set out in separate legislation, and in particular, whether the Company has correctly determined its capital ratios. For the purposes of the said information, the following legal acts are understood as separate legislation:

- until 25 June 2021 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012, as amended. ("CRR"),
- as of 26 June 2021 Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending

Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 ("IFR")

- the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (the "Macroprudential Supervision Act"),
- until 23 December 2021. Regulation of the Minister of Development and Finance dated April 25, 2017, on internal capital, risk management system, supervisory assessment program and supervisory examination and evaluation, and remuneration policy in a brokerage house,
- as of 24 December 2021. Decree of the Minister of Development and Finance dated December 8, 2021, on the estimation of internal capital and liquid assets, risk management system, supervisory examination and assessment program, and remuneration policy in a brokerage house and a small brokerage house.

It is not the purpose of an audit of the financial statements to present an opinion on compliance with the applicable prudential regulations specified in the separate legislation specified above, and in particular, on the correct determination of the capital ratios, and therefore, we do not express such an opinion.

Based on the work performed by us, we inform you that we have not identified:

- any cases of non-compliance by the Company with the applicable prudential regulations set out in the separate legislation referred to above, in the period from 1 January to 31 December 2021;
- any irregularities in the determination by the Company of the capital ratios as at 31 December 2021 in accordance with separate legislation referred to above,

which would have a material impact on the financial statements.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in the note 31 to the financial statements.

Appointment

We were first appointed to audit the Company's annual financial statements by Board Resolution 45/2018 dated November 7, 2018 and again by resolution dated May 4, 2021. We have audited the Company's financial statements continuously beginning with the fiscal year ended December 31, 2019, a period of three years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Agnieszka Accordi.

Agnieszka Accordi
Key Registered Auditor
No. 11665

Warsaw, 8 March 2022