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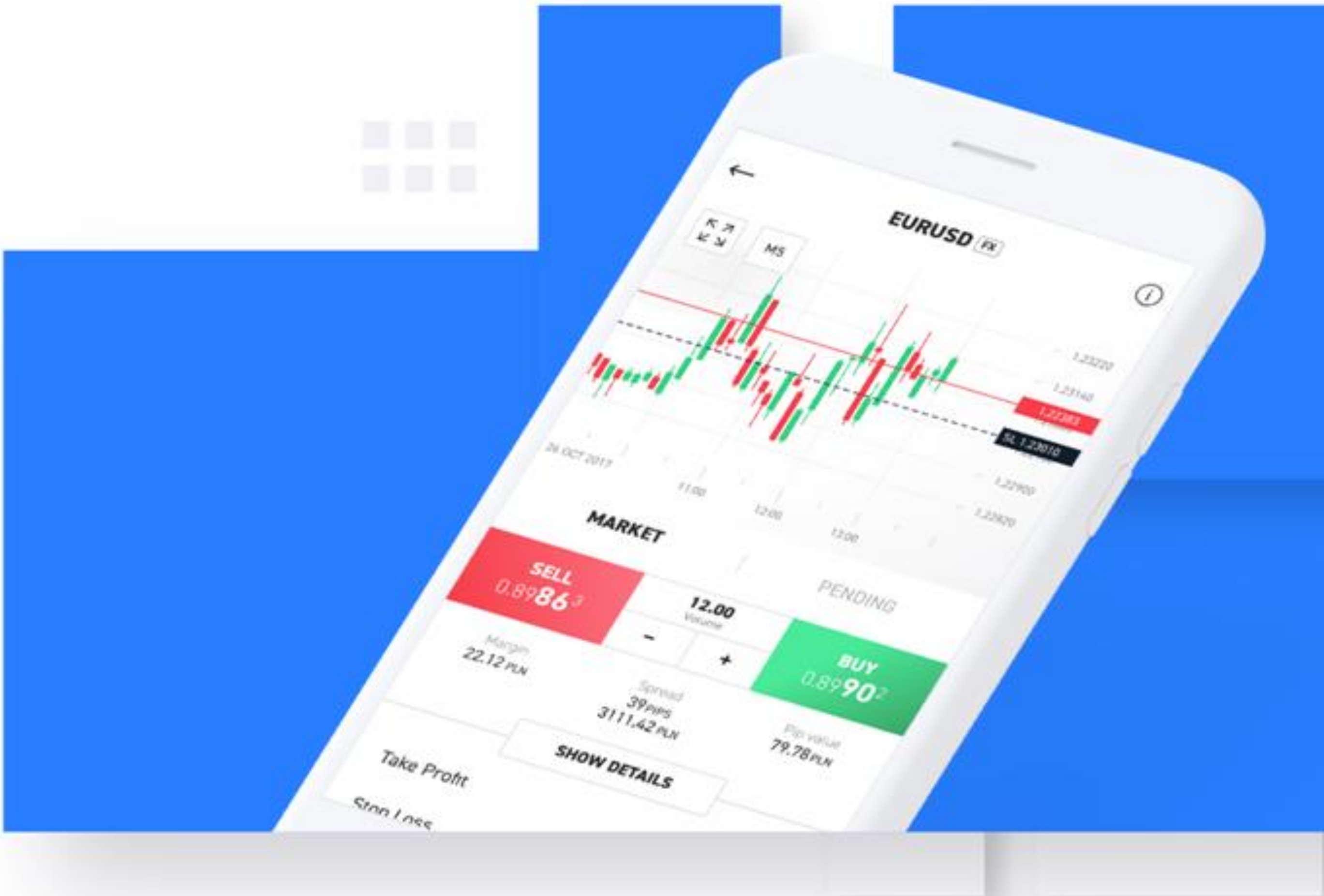

REPORT FOR THE 1ST QUARTER 2020

X-TRADE BROKERS DM S.A.

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FINANCIAL CONSOLIDATED HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 THREE-MONTH ENDED		IN EUR'000 THREE-MONTH ENDED	
	31.03.20209	**31.03.2019**	**31.03.2020**	**31.03.2019**
Consolidated comprehensive income statement:				
Total operating income	306 664	40 890	69 755	9 514
Profit (loss) on operating activities	234 135	(208)	53 257	(48)
Profit before tax	222 274	1 071	50 559	249
Net profit	175 969	763	40 027	178
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	1,50	0,01	0,34	0,00
Consolidated cash flow statement:				
Net cash from operating activities	243 030	(7 235)	55 281	(1 683)
Net cash from investing activities	(384)	(1 019)	(87)	(237)
Net cash from financing activities	(694)	(1 359)	(158)	(316)
Increase/(Decrease) in net cash and cash equivalents	241 952	(9 613)	55 035	(2 237)

	IN PLN'000		IN EUR'000	
	31.03.2020	**31.12.2019**	**31.03.2020**	**31.12.2019**
Consolidated statement of financial position:				
Total assets	1 506 293	1 138 900	330 886	267 442
Total liabilities	816 161	648 156	179 285	152 203
Share capital	5 869	5 869	1 289	1 378
Equity	690 132	490 744	151 601	115 239
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	5,88	4,18	1,29	0,98

The above data was translated into EUR as follows:

- items in the consolidated comprehensive income statement and consolidated cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,3963;
  - for the comparative period: 4,2978;
- items of consolidated statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,5523;
  - for the comparative period: 4, 2585.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Result of operations on financial instruments	6.1	305 009	39 253
Income from fees and charges	6.2	1 584	1 631
Other income		71	6
Total operating income	6	306 664	40 890
Salaries and employee benefits	7	(38 782)	(19 737)
Marketing expense	8	(16 740)	(9 178)
Other external services	9	(7 767)	(5 815)
Costs associated with maintenance and lease of buildings		(968)	(742)
Amortization and depreciation	16,17	(1 861)	(1 788)
Taxes and statutory fees		(669)	(708)
Commission expense	10	(4 540)	(2 032)
Other expense		(1 202)	(1 098)
Total operating expenses		(72 529)	(41 098)
Profit (Loss) On Operating Activities		234 135	(208)
Finance income	11	1 043	1 617
Finance costs	11	(12 904)	(338)
Profit Before Tax		222 274	1 071
Income tax	26	(46 305)	(308)
Net Profit		175 969	763
OTHER COMPREHENSIVE INCOME		23 419	(419)
Items which were reclassified to profit (loss)		21 880	–
- foreign exchange differences on translation of foreign operations		*21 880*	–
Items which will be reclassified to profit (loss) after meeting specific conditions		1 539	(419)
- foreign exchange differences on translation of foreign operations		*(609)*	*(334)*
- foreign exchange differences on valuation of separated equity		*2 652*	*(105)*
- deferred income tax		*(504)*	*20*
TOTAL COMPREHENSIVE INCOME		199 388	344
Net profit attributable to shareholders of the Parent Company		175 969	763
Total comprehensive income attributable to shareholders of the Parent Company		199 388	344
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	1,50	0,01
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	1,50	0,01
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	1,50	0,01
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	1,50	0,01

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
ASSETS				
Cash and cash equivalents	13	1 270 563	955 196	874 289
Financial assets at fair value through P&L	14	194 507	149 318	107 881
Income tax receivables		46	71	2 924
Financial assets at amortised cost	15	12 617	6 474	5 173
Prepayments and deferred costs		5 453	4 073	5 072
Intangible assets	16	623	572	679
Property, plant and equipment	17	13 029	14 193	17 151
Deferred income tax assets	26	9 455	9 003	9 445
Total assets		1 506 293	1 138 900	1 022 614
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	18	670 395	573 792	500 688
Financial liabilities held for trading	19	39 942	23 529	15 938
Income tax liabilities		26 041	1 697	440
Other liabilities	20	10 216	10 772	14 525
Provisions for liabilities	21	49 163	19 676	20 386
Deferred income tax provision	22	3 152	3 129	2 502
Total liabilities	26	17 252	15 561	12 635
EQUITY AND LIABILITIES		816 161	648 156	567 114
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	364 757	364 757	334 898
Foreign exchange differences on translation	23	(218)	(23 637)	(21 898)
Retained earnings		248 116	72 147	65 023
Equity attributable to the owners of the Parent Company		690 132	490 744	455 500
Total equity		690 132	490 744	455 500
Total equity and liabilities		1 506 293	1 138 900	1 022 614

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Interim condensed consolidated statement of changes in equity for the period from 1 January 2020 to 31 March 2020

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	24	
As at 1 January 2020	5 869	71 608	364 757	(23 637)	72 147	490 744
Total comprehensive income for the financial year						
Net profit	–	–	–	–	175 969	175 969
Foreign exchange differences on the translation of a subsidiary in Turkey	–	–	–	21 880	–	21 880
Other comprehensive income	–	–	–	1 539	–	1 539
Total comprehensive income for the financial year	–	–	–	23 419	175 969	199 388
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	–	–	–	–
- dividend payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2020 (unaudited)	5 869	71 608	364 757	(218)	248 116	690 132

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

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

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

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

Interim condensed consolidated statement of changes in equity for the period from 1 January 2019 to 31 March 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	24	
As at 1 January 2019	5 869	71 608	334 898	(21 479)	64 260	455 156
Total comprehensive income for the financial year						
Net profit	–	–	–	–	763	763
Other comprehensive income	–	–	–	(419)	–	(419)
Total comprehensive income for the financial year	–	–	–	(419)	763	344
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	–	–	–	–
- dividend advance payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2019 (unaudited)	5 869	71 608	334 898	(21 898)	65 023	455 500

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		222 274	1 071
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		1	(4)
Amortization and depreciation	16, 17	1 861	1 788
Foreign exchange (gains) losses from translation of own cash		(4 872)	786
Other adjustments	28.2	23 109	(421)
Changes			
Change in provisions		23	522
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(28 776)	(5 891)
Change in balance of restricted cash		(68 543)	(52 791)
Change in financial assets at amortized cost		(6 143)	(168)
Change in balance of prepayments and accruals		(1 380)	(2 023)
Change in balance of amounts due to clients		96 603	52 847
Change in balance of other liabilities	28.1	29 487	(2 995)
Cash from operating activities		263 644	(7 279)
Income tax paid		(20 697)	(78)
Interests		83	122
Net cash from operating activities		243 030	(7 235)
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	17	(275)	(984)
Expenses relating to payments for intangible assets	16	(109)	(35)
Net cash from investing activities		(384)	(1 019)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(611)	(1 237)
Interest paid under lease		(83)	(122)
Net cash from financing activities		(694)	(1 359)
Increase (Decrease) in net cash and cash equivalents		241 952	(9 613)
Cash and cash equivalents – opening balance		484 351	467 987
Effect of FX rate fluctuations on balance of cash in foreign currencies		4 872	(784)
Cash and cash equivalents – closing balance	13	731 175	457 590

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

ADDITIONAL EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

1.2 Composition of the Group

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

COMPANY NAME	CONSOLIDATION METHOD	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
			31.03.2019 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
XTB Limited (UK)	full	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	full	Poland	100%	100%	100%
XTB Limited (CY)	full	Cyprus	100%	100%	100%
XTB Yönetim Danışmanlığı Anonim Şirketi	full	Turkey	100%	100%	100%
XTB International Limited	full	Belize	100%	100%	100%
XTB Chile SpA	full	Chile	100%	100%	100%
XTB Services Limited	full	Cyprus	100%	100%	100%
Lirsar S.A. en liquidacion	full	Uruguay	100%	100%	100%
X Trading Technologies Sp. z o.o. in liquidation	full	Poland	–	100%	100%
XTB Africa (PTY) Ltd.	full	South Africa	100%	100%	100%
XTB Services Asia Pte. Ltd	full	Singapore	100%	100%	–

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

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

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

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

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

On 31 March 2020, amount of negative foreign exchange differences on translation of balances in foreign currencies of Turkish company amounted PLN (2 541) thousand (ref note 26). Exchange differences will be recognized in consolidated financial statement at the date of liquidation of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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 8 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.

1.3 Composition of the Management Board

In the period covered by the interim condensed consolidated 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. Basis for drafting the financial statements

2.1 Compliance statement

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

The International Financial Reporting Standards accepted by the European Union (“IFRS”) comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

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

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

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

The interim condensed consolidated financial statements do not cover all information and disclosures required to be presented in annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group for the year 2019.

The interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 6 May 2020. Drafting these interim condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

2.2 Functional currency and reporting currency

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

2.3 Going concern

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

2.4 Comparability of data and consistency of the policies applied

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

2.5 Changes in the accounting policies

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

- Amendments to IFRS 9 „Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform,

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Materiality,

- Amendments to references to Conceptual Framework included in International Financial Reporting Standards.

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

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

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

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

3. Professional judgement

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

Revenue recognition

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

4. Adopted accounting principles

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

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Financial instruments (CFD)		
Commodity CFDs	156 545	2 680
Index CFDs	110 682	35 363
Currency CFDs	34 048	433
Stock CFDs	2 500	627
Bond CFDs	163	329
Total CFDs	303 938	39 432
Stocks	1 839	178
Gross gain on transactions in financial instruments	305 777	39 610
Bonuses and discounts paid to clients	(119)	(71)
Commission paid to cooperating brokers	(649)	(286)
Net gain on transactions in financial instruments	305 009	39 253

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

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

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

6.2 Income from fees and charges

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Fees and charges from institutional clients	1 004	1 210
Fees and charges from retail clients	580	421
Total income from fees and charges	1 584	1 631

6.3 Geographical areas

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Operating income		
Central and Eastern Europe	151 062	24 997
- including Poland	*85 432*	*22 319*
Western Europe	132 390	12 926
- including Spain	*58 136*	*6 964*
Latin America	23 212	2 967
Total operating income	306 664	40 890

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

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

7. Salaries and employee benefits

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Salaries	(32 427)	(16 017)
Social insurance and other benefits	(5 600)	(2 991)
Employee benefits	(755)	(729)
Total salaries and employee benefits	(38 782)	(19 737)

8. Marketing

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Marketing online	(16 086)	(7 709)
Marketing offline	(654)	(1 466)
Advertising campaigns	–	(3)
Total marketing	(16 740)	(9 178)

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

9. Other external services

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)
Support database systems	(2 163)	(1 809)
IT support services	(1 895)	(307)
Market data delivery	(1 332)	(1 420)
Legal and advisory services	(1 031)	(791)
Internet and telecommunications	(596)	(577)
Accounting and audit services	(518)	(509)
Recruitment	(109)	(70)
Postal and courier services	(65)	(46)
Translation	(37)	(53)
Other external services	(21)	(233)
Total other external services	(7 767)	(5 815)

10. Commission expenses

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)
Bank commissions	(3 400)	(1 132)
Stock exchange fees and charges	(1 078)	(808)
Commissions of foreign brokers	(62)	(92)
Total commission expenses	(4 540)	(2 032)

11. Finance income and costs

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)
Interest income		
Interest on own cash	532	1 446
Interest on clients' cash	507	162
Total interest income	1 039	1 608
Other finance income	4	9
Total finance income	1 043	1 617

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)
Interest expense		
Interest paid to clients	(83)	(122)
Interest paid under lease agreements	(1)	(24)
Other interest	(5)	(24)
Total interest expense	(89)	(170)
Foreign exchange losses (including)	(12 815)	(167)
Foreign exchange losses related to subsidiary liquidation	*(21 880)*	–
Foreign exchange gains	*9 065*	–
Other finance costs	–	(1)
Total finance costs	(12 904)	(338)

Foreign exchange differences relate to unrealised differences on the measurement of balance sheet items denominated in a currency other than the functional currency. Foreign exchange losses include the influence of reclassification of negative exchange rate differences in the amount of TRY 21 880 thousand resulting from the translation of the capital of a Turkish subsidiary XTB Yönetim Danışmanlığı Anonim Şirketi from position "Exchange differences on translation" in equity.

12. Segment information

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

1. Retail operations, which include the provision of trading in financial instruments for individual clients.
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 clients under their own brand.

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

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

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

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

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	252 363	52 646	305 009	305 009
CFDs				
Commodity CFDs	123 005	33 540	156 545	156 545
Index CFDs	94 150	16 532	110 682	110 682
Currency CFDs	31 476	2 572	34 048	34 048
Stock CFDs	2 668	(168)	2 500	2 500
Bond CFDs	(7)	170	163	163
Stocks	1 839	–	1 839	1 839
Bonuses and discounts paid to customers	(119)	–	(119)	(119)
Commission paid to cooperating brokers	(649)	–	(649)	(649)
Fee and commission income	580	1 004	1 584	1 584
Other income	71	–	71	71
Total operating income	253 014	53 650	306 664	306 664
Salaries and employee benefits	(37 863)	(919)	(38 782)	(38 782)
Marketing	(16 558)	(182)	(16 740)	(16 740)
Other external services	(7 647)	(120)	(7 767)	(7 767)
Cost of maintenance and lease of buildings	(960)	(8)	(968)	(968)
Amortization and depreciation	(1 838)	(23)	(1 861)	(1 861)
Taxes and fees	(655)	(14)	(669)	(669)
Commission expense	(4 507)	(33)	(4 540)	(4 540)
Other expenses	(1 073)	(129)	(1 202)	(1 202)
Total operating expenses	(71 101)	(1 428)	(72 529)	(72 529)
Operating profit	181 913	52 222	234 135	234 135
Finance income	–	–	–	1 043
Finance costs	–	–	–	(12 904)
Profit before tax	–	–	–	222 274
Income tax	–	–	–	(46 305)
Net profit	–	–	–	175 969

ASSETS AND LIABILITIES AS AT 31.03.2020 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	512 754	26 634	539 388	539 388
Financial assets at fair value through P&L	182 949	11 558	194 507	194 507
Other assets	772 212	186	772 398	772 398
Total assets	1 467 915	38 378	1 506 293	1 506 293
Amounts due to clients	633 015	37 380	670 395	670 395
Financial liabilities held for trading	38 442	1 500	39 942	39 942
Other liabilities	105 824	–	105 824	105 824
Total liabilities	777 281	38 880	816 161	816 161

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	37 178	2 075	39 253	39 253
CFDs				
Index CFDs	30 933	4 430	35 363	35 363
Commodity CFDs	2 520	160	2 680	2 680
Stock CFDs	648	(21)	627	627
Currency CFDs	3 056	(2 623)	433	433
Bond CFDs	199	130	329	329
Shares and listed derivative instruments	178	–	178	178
Bonuses and discounts paid to clients	(70)	(1)	(71)	(71)
Commissions paid to cooperating brokers	(286)	–	(286)	(286)
Fee and commission income	421	1 210	1 631	1 631
Other income	6	–	6	6
Total operating income	37 605	3 285	40 890	40 890
Salaries and employee benefits	(19 232)	(505)	(19 737)	(19 737)
Marketing expense	(9 089)	(89)	(9 178)	(9 178)
Other external services	(5 430)	(385)	(5 815)	(5 815)
Cost of maintenance and lease of buildings	(734)	(8)	(742)	(742)
Amortization and depreciation	(1 762)	(26)	(1 788)	(1 788)
Taxes and fees	(704)	(4)	(708)	(708)
Commission expense	(2 012)	(20)	(2 032)	(2 032)
Other expenses	(995)	(103)	(1 098)	(1 098)
Total operating expenses	(39 958)	(1 140)	(41 098)	(41 098)
Operating profit (loss)	(2 353)	2 145	(208)	(208)
Finance income	–	–	–	1 617
Finance costs	–	–	–	(338)
Profit before tax	–	–	–	1 071
Income tax	–	–	–	(308)
Net profit	–	–	–	763

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

ASSETS AND LIABILITIES AS AT 31.03.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	374 478	42 221	416 699	416 699
Financial assets at fair value through P&L	99 185	8 696	107 881	107 881
Other assets	497 489	545	498 034	498 034
Total assets	971 152	51 462	1 022 614	1 022 614
Amounts due to clients	452 554	48 134	500 688	500 688
Financial liabilities held for trading	12 857	3 081	15 938	15 938
Other liabilities	50 488	–	50 488	50 488
Total liabilities	515 899	51 215	567 114	567 114

13. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
In hand	1	1	–
In current bank accounts	1 270 562	955 195	874 289
Cash and cash equivalents in total	1 270 563	955 196	874 289

Own cash and restricted cash – customers' cash:

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Customers' cash and cash equivalents	539 388	470 845	416 699
Own cash and cash equivalents	731 175	484 351	457 590
Cash and cash equivalents in total	1 270 563	955 196	874 289

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

Part of own funds is also invested in treasury bonds in the amount of PLN 26 212 thousand as at 31 March 2020 (31 December 2019: PLN 14 899 thousands, 31 March 2019: there were no bonds) (Ref. note 14 debt instruments).

14. Financial assets at fair value through P&L

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Index CFDs	71 521	78 039	57 543
Commodity CFDs	57 093	18 424	18 870
Currency CFDs	22 552	22 852	18 666
Stock CFDs	13 193	10 744	7 530
Bond CFDs	62	29	386
Debt instruments	26 212	14 899	–
Stocks	3 874	4 331	4 886
Total financial assets at fair value through P&L	194 507	149 318	107 881

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

15. Financial assets at amortised cost

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Gross amounts due from clients	4 634	3 414	3 390
Impairment write-downs of receivables	(3 744)	(3 197)	(3 196)
Total amounts due from clients	890	217	194
Statutory receivables	8 225	1 271	1 463
Trade receivables	2 495	3 975	2 528
Deposits	2 015	1 865	1 751
Impairment write-downs of receivables	(1 008)	(854)	(763)
Total financial assets at amortised cost	12 617	6 474	5 173

Movements in impairment write-downs of receivables

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(4 052)	(3 624)	(3 624)
Write-downs recorded	(646)	(847)	(491)
Write-downs reversed	23	426	174
Write-downs utilized	(79)	(6)	(18)
Impairment write-downs of receivables – at the end of the reporting period	(4 754)	(4 051)	(3 959)

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

16. Intangible assets

Intangible assets in the period from 1 January 2020 to 31 March 2020 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2020	5 654	10 792	4 814	21 260
Additions	109	–	–	109
Sale and scrapping	–	–	–	–
Net foreign exchange differences	9	–	–	9
Gross value as at 31 March 2020	5 772	10 792	4 814	21 378
Accumulated amortization as at 1 January 2020	(5 265)	(10 792)	(4 631)	(20 688)
Amortization for the current period	(52)	–	(6)	(58)
Sale and scrapping	–	–	–	–
Net foreign exchange differences	(9)	–	–	(9)
Accumulated amortization as at 31 March 2020	(5 326)	(10 792)	(4 637)	(20 755)
Net book value as at 1 January 2020	389	–	183	572
Net book value as at 31 March 2020	446	–	177	623

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

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

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

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

Intangible assets in the period from 1 January 2019 to 31 March 2019 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1January 2019	5 568	10 792	4 814	21 174
Additions	35	–	–	35
Sale and scrapping	–	–	–	–
Net foreign exchange differences	(8)	–	–	(8)
Gross value as at 31 March 2019	5 595	10 792	4 814	21 201
Accumulated amortization as at 1 January 2019	(5 061)	(10 792)	(4 605)	(20 458)
Amortization for the current period	(66)	–	(6)	(72)
Sale and scrapping	–	–	–	–
Net foreign exchange differences	8	–	–	8
Accumulated amortization as at 31 March 2019	(5 119)	(10 792)	(4 611)	(20 522)
Net book value as at 1 January 2019	507	–	209	716
Net book value as at 31 March 2019	476	–	203	679

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

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2020 to 31 March 2020 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2020	11 935	7 049	14 586	334	117	34 021
Additions	274	83	–	–	(82)	275
Lease	–	–	55	–	–	55
Sale and scrapping	–	–	–	–	–	–
Net foreign exchange differences	83	132	393	14	–	622
Gross value as at 31 March 2020	12 292	7 264	15 034	348	35	34 973
Accumulated amortization as at 1 January 2020	(9 926)	(5 342)	(4 456)	(104)	–	(19 828)
Amortization for the current period	(466)	(123)	(1 183)	(31)	–	(1 803)
Sale and scrapping	(1)	–	–	–	–	(1)
Net foreign exchange differences	(76)	(120)	(110)	(6)	–	(312)
Accumulated amortization as at 31 March 2020	(10 469)	(5 585)	(5 749)	(141)	–	(21 944)
Net book value as at 1 January 201920	2 009	1 707	10 130	230	117	14 193
Net book value as at 31 March 2020	1 823	1 679	9 285	207	35	13 029

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

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	10 140	6 200	–	–	19	16 359
Lease at 1.01.2019	–	–	13 063	334	–	13 397
Additions	2 192	906	–	–	98	3 196
Lease	–	–	1 523	–	–	1 523
Sale and scrapping	(361)	(41)	–	–	–	(402)
Net foreign exchange differences	(36)	(16)	–	–	–	(52)
Gross value as at 31 December 2019	11 935	7 049	14 586	334	117	34 021
Accumulated amortization as at 1 January 2019	(8 738)	(5 104)	–	–	–	(13 842)
Amortization for the current period	(1 603)	(317)	(4 487)	(105)	–	(6 512)
Sale and scrapping	383	66	–	–	–	449
Net foreign exchange differences	32	13	31	1	–	77
Accumulated amortization as at 31 December 2019	(9 926)	(5 342)	(4 456)	(104)	–	(19 828)
Net book value as at 1 January 2019	1 402	1 096	–	–	19	2 517
Net book value as at 31 December 2019	2 009	1 707	10 130	230	117	14 193

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

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	10 140	6 200	–	–	19	16 359
Additions	928	3	–	–	53	984
Leases	–	–	15 091	269	–	15 360
Sale and scrapping	(259)	–	–	–	–	(259)
Net foreign exchange differences	(3)	11	–	–	–	8
Gross value as at 31 March 2019	10 806	6 214	15 091	269	72	32 452
Accumulated amortization as at 1 January 2019	(8 738)	(5 104)	–	–	–	(13 842)
Amortization for the current period	(440)	(70)	(1 180)	(26)	–	(1 716)
Sale and scrapping	259	4	–	–	–	263
Net foreign exchange differences	5	(11)	–	–	–	(6)
Accumulated amortization as at 31 March 2019	(8 914)	(5 181)	(1 180)	(26)	–	(15 301)
Net book value as at 1 January 2019	1 402	1 096	–	–	19	2 517
Net book value as at 31 March 2019	1 892	1 033	13 911	243	72	17 151

Non-current assets by geographical area

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	8 061	9 005	10 005
- including Poland	*6 866*	*7 702*	*8 402*
Western Europe	5 043	5 116	7 001
- including Spain	*271*	*366*	*831*
Latin America and Turkey	548	644	824
Total non-current assets	13 652	14 765	17 830

18. Amounts due to clients

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Amounts due to retail clients	633 015	532 822	452 554
Amounts due to institutional clients	37 380	40 970	48 134
Total amounts due to clients	670 395	573 792	500 688

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

19. Financial liabilities held for trading

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Index CFDs	18 296	12 720	8 714
Commodity CFDs	11 633	3 900	2 857
Currency CFDs	5 639	2 979	1 925
Stock CFDs	4 351	3 807	2 418
Bond CFDs	23	123	24
Total financial liabilities held for trading	39 942	23 529	15 938

20. Liabilities due to lease

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Short-term	4 278	4 323	4 839
Long-term	5 938	6 449	9 686
Total liabilities due to lease	10 216	10 772	14 525

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 March 2020 the cost related to short-term leasing included in the interim consolidated statement of comprehensive income amounted to PLN 157 thousand (in the period from 1 January to 31 March 2019 amounted to PLN 32 thousand), the cost related to lease of low-value assets included in the interim condensed consolidated statement of comprehensive income amounted to PLN 16 thousand (in the period from 1 January to 31 March 2019 amounted to PLN7 thousand).

21. Other liabilities

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Provisions for other employee benefits	23 227	10 295	6 459
Trade liabilities	15 236	5 546	6 566
Statutory liabilities	5 708	2 563	4 454
Liabilities due to brokers	4 419	768	2 212
Liabilities due to employees	422	362	581
Amounts due to the Central Securities Depository of Poland	151	142	114
Total other liabilities	49 163	19 676	20 386

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

Program of variable remuneration elements

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

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

As at 31 March 2020, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 5 152 thousand (31 December 2019: PLN 1 756 thousand, 31 March 2019: PLN 1 821thousand).

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Provisions for retirement benefits	1 192	1 184	1 134
Provisions for legal risk	1 960	1 945	1 368
Total provisions	3 152	3 129	2 502

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

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

Movements in provisions in the period from 1 January 2020 to 31 March 2020 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2020	INCREASES	DECREASES		VALUE AS AT 31.03.2020
			USE	REVERSAL	
Provisions for retirement benefits	1 184	8	–	–	1 192
Provisions for legal risk	1 945	15	–	–	1 960
Total provisions	3 129	23	–	–	3 152

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

(IN PLN'000)	VALUE AS AT 01.01.2019	INCREASES	DECREASES		VALUE AS AT 31.12.2019
			USE	REVERSAL	
Provisions for retirement benefits	1 055	129	–	–	1 184
Provisions for legal risk	925	1 611	131	460	1 945
Total provisions	1 980	1 740	131	460	3 129

Movements in provisions in the period from 1 January 2019 to 31 March 2019 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2019	INCREASES	DECREASES		VALUE AS AT 31.03.2019
			USE	REVERSAL	
Provisions for retirement benefits	1 055	79	–	–	1 134
Provisions for legal risk	925	443	–	–	1 368
Total provisions	1 980	522	–	–	2 502

22.2 Contingent liabilities

The Group is party to a number of court proceedings associated with the Group's operations. The proceedings in which the Group acts as defendant relate mainly to employees' and clients' claims. As at 31 March 2020 the total value of claims brought against the Group amounted to approx. PLN 7 131 thousand (as at 31 December 2019: PLN 7 626 thousand, as at 31 March 2019: PLN 1 452 thousand). Company has not created provisions for the above proceedings. In the assessment of the Group there is low probability of loss in these proceedings.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 62 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 64 thousand.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 616 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension.

23. Equity

Share capital structure as at 31 March 2020, 31 December 2019 and 31 March 2019

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

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

Shareholding structure of the Parent Company

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

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

- Other capitals
- Other capitals consist of:
- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital in the amount of PLN 364 757 thousand, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend,

- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN (218) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	706	326	381
XTB International	453	(76)	(7)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	391	429	396
XTB Limited (CY)	390	(92)	(22)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	375	17	69
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	284	282	282
-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	211	(37)	(2)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	108	7	22
XTB Services Limited	70	–	9
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	69	4	13
XTB Africa (PTY) Ltd.	(86)	71	(12)
XTB Limited (UK)	(90)	(331)	(337)
XTB Chile SpA	(277)	(207)	(40)
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(281)	29	5
XTB Yönetim Danışmanlığı Anonim Şirketi	(2 541)	(24 059)	(22 655)
Total foreign exchange differences on translation	(218)	(23 637)	(21 898)

24. Profit distribution and dividend

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

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

25. Earnings per share

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Parent Company	175 969	763
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 Parent Company	1,50	0,01
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	1,50	0,01

26. Current income tax and deferred income tax

26.1 Current income tax

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(45 571)	(410)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(734)	102
Income tax disclosed in profit and loss	(46 305)	(308)

Reconciliation of the actual tax burden

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Profit before tax	222 274	1 071
Income tax based in the applicable tax rate of 19%	(42 232)	(203)
Difference resulting from application of tax rates applicable in other countries	39	11
Non-taxable revenue	17	69
Non-deductible expenses	(400)	(101)
Tax loss for the reporting period not disclosed in the deferred tax	9	10
Writing off tax losses activated in previous years	–	(103)
Other items affecting the tax burden amount	(3 738)	9
Income tax disclosed in profit or loss	(46 305)	(308)

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 31 March 2020 (unaudited)

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 31.03.2020
Deferred income tax assets			
Property, plant and equipment	81	69	150
Financial assets at amortised cost	3 809	2 063	5 872
Provisions for liabilities	24	–	24
Prepayments and deferred costs	1 551	1 943	3 494
Other liabilities	1 829	24	1 853
Tax losses of previous periods to be settled in future periods	8 916	406	9 322
Total deferred income tax assets	16 210	4 505	20 715

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 31.03.2020
Deferred income tax provision:			
Financial assets at fair value through P&L	–	51	51
Other liabilities	22 325	5 291	27 616
Financial assets at amortised cost	93	(93)	–
Prepayments and deferred costs	237	(10)	227
Total deferred income tax provision	22 655	5 239	27 894
Deferred income tax provision:	–	(734)	–

(IN PLN'000)	AS AT 01.01.2020	INCLUDED IN EQUITY	AS AT 31.03.2020
Deferred income tax provision included directly in the equity:			
Separate equity of branches	113	504	617
Total deferred income tax provision included directly in the equity	113	504	617

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

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

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

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

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

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.03.2019
Deferred income tax assets:			
Property, plant and equipment	83	7	90
Financial assets at amortised cost	5 001	(2 235)	2 766
Provisions for liabilities	506	(33)	473
Prepayments and deferred costs	1 412	(371)	1 041
Other liabilities	20	–	20
Tax losses of previous periods to be settled in future periods	9 271	1 691	10 962
Total deferred income tax assets	16 293	(941)	15 352

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.03.2019
Deferred income tax provision:			
Cash and cash equivalents	–	1	1
Financial assets at fair value through P&L	19 235	(1 033)	18 202
Other liabilities	–	147	147
Financial assets at amortised cost	142	(142)	–
Prepayments and deferred costs	16	(16)	–
Total deferred income tax provision	19 393	(1 043)	18 350
Deferred tax disclosed in profit or (loss)	–	102	–

(IN PLN'000)	AS AT 01.01.2019	INCLUDED IN EQUITY	AS AT 31.03.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	(20)	192
Total deferred income tax provision included directly in the equity	212	(20)	192

Geographical division of deferred income tax assets

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Central and Eastern Europe			
- including Poland	94	57	77
Western Europe	–	–	–
- including Spain	9 345	8 935	9 200
Latin America and Turkey	–	–	–
Total deferred income tax assets	16	11	168
Central and Eastern Europe	9 455	9 003	9 445

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 March 2020 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX ASSETS
Poland	10 982	28 233	–	17 251
Czech Republic	30	–	30	–
Slovakia	114	51	63	–
Germany	2 836	–	2 836	–
France	4 720	–	4 720	–
Great Britain	1 789	–	1 789	–
Chile	244	227	17	–
Total	20 715	28 511	9 455	17 251

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 2019 (audited):

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

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 March 2019 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX ASSETS
Poland	5 759	18 394	–	12 635
Czech Republic	39	–	39	–
Slovakia	38	1	37	–
Germany	2 779	–	2 779	–
France	4 570	–	4 570	–
Great Britain	1 852	–	1 852	–
Turkey	42	–	42	–
Chile	273	147	126	–
Total	15 352	18 542	9 445	12 635

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 31 March 2019 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 majority stakeholder of the Company and XXZW Investment Group S.A.

27.2 Figures concerning related party transactions

As at 31 March 2020 the Group has liabilities to Mr Jakub Zabłocki in the amount of PLN 1,2 thousand due to his investment account (as at 31 December 2019: PLN 1,0 thousand, as at 31 March 2019: PLN 0,7 thousand). In the period from 1 January to 31 March 2020 the Group did not note profit or loss resulting from transactions with Mr Jakub Zabłocki (in the corresponding period of 2019 there was no profit or loss resulting from transactions). Moreover Mr. Jakub Zabłocki is employed on the basis of an employment contract in subsidiary in Great Britain. In the period from 1 January to 31 March 2020 the paid gross salary and bonuses amounted to PLN 763 thousand and in the analogical period of 2019 amounted to PLN 746 thousand.

27.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Benefits to Management Board members	(696)	(474)
Benefits to Supervisory Board members	(65)	(64)
Total benefits to the Management Board and Supervisory Board	(761)	(538)

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

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 21 of the interim condensed consolidated financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 5 152 thousand.

27.4 Loans granted to the Management and Supervisory Board Members

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

28. Supplementary information and explanations to the cash flow statement

28.1 Change in the balance of other liabilities

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Change in other liabilities	29 487	(3 358)
Rent free period settlement	–	363
Change in the balance of other liabilities	29 487	(2 995)

28.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	23 419	(419)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(310)	(2)
Change in other adjustments	23 109	(421)

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

29. Post balance sheet events

On 8 April 2020 Group began the liquidation process of subsidiary XTB Services Asia Pte. Ltd with its site in Singapore by Accounting and Corporate Regulatory Authority.

On 20 April 2020 the Ordinary General Shareholders' Meeting of the Parent Company took a resolution on approval and distribution of the 2019 Parent Company's profit in the amount of PLN 54 145 thousand. It was decided that the amount of PLN 28 122 thousand (PLN 0,24 per share) will be paid as dividends. The remaining amount of the net profit in the amount of PLN 25 973 thousand will be retained by the Company as reserve capital. The dividend day was set for 30 April 2020, while the day of payment of the dividend was set for 15 May 2020.

To the best Parent Company's knowledge, the shareholding structure of the Parent Company on the day of publishing these interim condensed consolidated financial statements was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	19 034 749	952	16,22%
Other shareholders	19 719 092	985	16,79%
Total	117 383 635	5 869	100,00%

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Index CFDs	958 776	2 136 475	1 528 193
Currency CFDs	800 598	1 921 898	1 597 043
Commodity CFDs	450 787	515 599	364 878
Stock CFDs	138 013	235 037	102 187
Bond CFDs	31 848	23 896	14 219
Bonds	26 000	14 500	–
Stock	3 773	4 229	4 778
Total financial instruments	2 409 795	4 851 634	3 611 298

The nominal value of instruments presented in the chart above includes transactions with clients and brokers. As at 31 March 2020 transactions with brokers represent 4% of the total nominal value of instruments (as at 31 December 2019: 9% of the total nominal value of instruments, as at 31 March 2019: 8% of the total nominal value of instruments).

30.2 Clients' financial instruments

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

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Listed stocks and rights to stocks registered in clients' securities accounts	177 812	108 978	62 141
Other securities registered in clients' securities accounts	207	207	207
Total clients' financial instruments	178 019	109 185	62 348

30.3 Transaction limits

Unused transaction limits granted:

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Institutional clients	7 074	4 918	6 906
Other	–	–	2
Total unused transaction limits granted	7 074	4 918	6 908

31. Items regarding the compensation scheme

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	4 709	3 987	3 987
- increases	*218*	*722*	*172*
b) closing balance	4 927	4 709	4 159
2. XTB's share in the profits from the compensation scheme	315	317	269

32. Capital management

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

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

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

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

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

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

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

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

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

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

Key values in capital management:

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
The Group's own funds	388 577	408 570	376 250
Tier I Capital	388 577	408 570	376 250
Common Equity Tier I capital	388 577	408 570	376 250
Total Group's risk exposure	2 190 975	2 563 461	2 196 054
Capital conservation buffer	54 774	64 087	54 902
Countercyclical capital buffer	3 220	4 512	3 998
Combined buffer requirement	57 995	68 599	58 900
Total capital ratio	17,7%	15,9%	17,1%
Total capital ratio including buffers	15,1%	13,3%	14,5%
Minimal required total capital ratio including buffers (art. 92 ust.1 lit. c) CRR)	8%	8%	8%

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

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

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

(IN PLN'000)	AS AT 31.03.2020 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2019 (AUDITED)	AS AT 31.03.2019 (UNAUDITED)
1. Capital/Own funds	388 577	399 225	408 570	376 250
1.1. Base capital/Common Equity Tier I without deductions	441 633	411 455	441 633	411 774
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(53 056)	(12 230)	(33 063)	(35 524)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
I. Level of capitals subject to monitoring/Own funds	388 577	399 225	408 570	376 250
1. Market risk	88 061	134 417	122 863	107 350
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	3 793	5 234	6 294	4 276
3. Credit risk	34 917	27 807	27 413	24 129
4. Operating risk	48 507	48 507	48 507	39 929
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	175 278	215 965	205 077	175 684
IIb. Total risk exposure	2 190 975	2 699 568	2 563 461	2 196 054
Capital conservation buffer	54 774	67 489	64 087	54 902
Countercyclical capital buffer	3 220	5 037	4 512	3 998
Combined buffer requirement	57 995	72 526	68 599	58 900

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

33. Risk management

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

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

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

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

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

The Parent Company's Supervisory Board approves risk management system.

33.1 Fair value

33.1.1 Carrying amount and fair value

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

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

33.1.2 Fair value hierarchy

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

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

(IN PLN'000)	31.03.2020 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	30 086	164 421	–	194 507
Total financial assets	30 086	164 421	–	194 507
Financial liabilities				
Financial liabilities held for trading	–	39 942	–	39 942
Total financial liabilities	–	39 942	–	39 942

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

(IN PLN'000)	31.03.2019 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	4 778	103 103	–	107 881
Total financial assets	4 778	103 103	–	107 881
Financial liabilities				
Financial liabilities held for trading	–	15 938	–	15 938
Total financial liabilities	–	15 938	–	15 938

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

The fair value of contracts for differences (CFDs) is determined based on the market prices of underlying instruments, derived from independent sources, ie. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the Group. The valuation is performed using closing prices or the last bid and ask prices. CFDs are measured as the difference between the current price and the opening price, taking account of accrued commissions and swap points.

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

33.2 Market risk

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

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

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

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

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

33.2.1 Currency risk

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

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

Assets and liabilities denominated in foreign currencies as at 31 March 2020 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	111 416	376 165	21 476	103 198	9 766	15 904	34 190	672 115	1 270 563
Financial assets held for trading	20 602	61 070	2 679	12 335	1 342	3 518	8 850	110 396	194 507
Income tax receivables	–	–	–	46	–	–	–	46	46
Financial assets at amortised cost	841	6 027	181	475	23	647	2 039	10 233	12 617
Prepayments and deferred costs	184	470	90	82	–	15	48	889	5 453
Intangible assets	–	14	–	49	–	–	7	70	623
Property, plant and equipment	8	5 003	133	1 032	–	7	355	6 538	13 029
Deferred income tax assets	–	7 619	1 790	30	–	–	16	9 455	9 455
Total assets	133 051	456 368	26 349	117 247	11 131	20 091	45 505	809 742	1 506 293
Liabilities									
Amounts due to customers	45 010	307 329	10 313	57 028	5 129	12 102	14 751	451 662	670 395
Financial liabilities held for trading	8 483	15 536	478	2 329	181	121	5 293	32 421	39 942
Income tax liabilities	–	183	–	–	–	–	973	1 156	26 041
Lease liabilities	–	9 960	46	86	–	–	101	10 193	10 216
Other liabilities	3 707	13 585	3 763	1 357	96	575	2 067	25 150	49 163
Provisions for liabilities	–	–	–	–	–	–	1 678	1 678	3 152
Deferred income tax provision	–	–	–	–	–	–	–	–	17 252
Total liabilities	57 200	346 593	14 600	60 800	5 406	12 798	24 863	522 260	816 161

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

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

Assets and liabilities denominated in foreign currencies as at 31 March 2019 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	62 691	307 037	12 582	55 978	7 736	9 004	35 243	490 271	874 289
Financial assets held for trading	11 220	48 540	1 079	7 685	1 297	2 911	3 111	75 843	107 881
Income tax receivables	–	7	–	93	–	–	28	128	2 924
Financial assets at amortised cost	610	2 497	45	160	–	184	643	4 139	5 173
Prepayments and deferred costs	148	699	505	178	–	70	234	1 834	5 072
Intangible assets	–	11	–	19	–	–	9	39	679
Property, plant and equipment	–	6 733	523	1 299	–	16	611	9 182	17 151
Deferred income tax assets	–	7 387	1 852	39	–	–	167	9 445	9 445
Total assets	74 669	372 911	16 586	65 451	9 033	12 185	40 046	590 881	1 022 614
Liabilities									
Amounts due to customers	40 801	248 543	7 613	43 752	4 636	8 908	12 159	366 412	500 688
Financial liabilities held for trading	4 661	6 405	326	1 001	331	256	576	13 556	15 938
Income tax liabilities	–	185	–	–	–	–	254	439	440
Lease liabilities	–	13 447	577	15	–	–	441	14 480	14 525
Other liabilities	1 515	6 686	1 155	1 077	25	203	1 041	11 702	20 386
Provisions for liabilities	–	–	–	–	–	–	1 452	1 452	2 502
Deferred income tax provision	–	–	–	–	–	–	–	–	12 635
Total liabilities	46 977	275 266	9 671	45 845	4 992	9 367	15 923	408 041	567 114

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

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020 (UNAUDITED)		31.03.2019 (NIEBADANE)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	13 201	(13 201)	14 001	(14 001)
Equity, of which:	3 427	(3 427)	3 427	(3 427)
Foreign exchange differences on translation	3 427	(3 427)	3 427	(3 427)

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

33.2.2 Interest rate risk

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

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

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

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

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

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

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

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Financial assets			
Cash and cash equivalents	1 270 563	955 196	874 289
Total financial assets	1 270 563	955 196	874 289
Financial liabilities			
Amounts due to clients	-	2 641	17 137
Other liabilities	6 044	10 743	14 525
Total financial liabilities	6 044	13 384	31 662

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 period of interim condensed consolidated financial statements, using the average 1M interest rate in a given market.

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020 (UNAUDITED)		31.03.2019 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	5 317	(5 317)	4 305	(4 305)

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

In the period covered by these interim condensed consolidated financial statements and in the comparative period, the Group 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 the analogical period of time Group did not have such assets.

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020 (UNAUDITED)		31.03.2019 (NIEBADANE)	
	INCREASE BY 50 PB	SPADEK O 50 PB	INCREASE BY 50 PB	SPADEK O 50 PB
Profit/(loss) before tax	(131)	131	–	–

33.2.3 Other price risk

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

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

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	5 490	4 650	3 216
Base metals	432	193	285
Other	47 054	9 344	14 978
Total commodity	52 976	14 187	18 479
Equity instruments			
Stocks	16 215	13 745	11 961
Indicies	66 647	57 382	57 022
Total equity instruments	82 862	71 127	68 983
Debt instruments	55	15 224	385
Total financial assets at fair value through P&L	135 893	100 538	87 847

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
Financial liabilities held for trading			
Commodity			
Precious metals	1 235	2 126	456
Base metals	23	24	33
Other	6 253	3 506	1 045
Total commodity	7 511	5 656	1 534
Equity instruments			
Stocks	3 599	2 356	2 071
Indicies	13 412	7 912	8 194
Total equity instruments	17 011	10 268	10 265
Debt instruments	15	10	23
Total financial liabilities held for trading	24 537	15 934	11 822

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020 (UNAUDITED)		31.03.2019 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(2 970)	2 970	(1 806)	1 806
Base metals	(142)	142	25	(25)
Other	(9 436)	9 436	(6 556)	6 556
Total commodity	(12 548)	12 548	(8 337)	8 337
Equity instruments				
Stocks	–	–	19	(19)
Indicies	12	(12)	27 055	(27 055)
Total equity instruments	7 691	(7 691)	27 074	(27 074)
Debt instruments	7 703	(7 703)	561	(561)
Total income/(expenses) for the period	(89)	89	19 298	(19 298)

33.3 Liquidity risk

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

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

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

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

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

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

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

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

Contractual payment periods of financial assets and liabilities as at 31 March 2020 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	1 270 563	1 270 563	1 270 563	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	3 874	3 874	3 874	–	–	–	–
CFDs	26 212	26 212	26 212	–	–	–	–
Total financial assets at fair value through P&L	164 421	164 421	164 421	–	–	–	–
Financial assets at amortised cost	194 507	194 507	194 507	–	–	–	–
Total financial assets	12 617	12 617	10 122	–	2 495	–	–
Financial assets	1 477 687	1 477 687	1 475 192	–	2 495	–	–
Financial liabilities							
Amounts due to customers	670 395	670 395	670 395	–	–	–	–
Financial liabilities held for trading	39 942	39 942	39 942	–	–	–	–
CFDs	39 942	39 942	39 942	–	–	–	–
Total financial liabilities held for trading	39 942	39 942	39 942	–	–	–	–
Lease liabilities	10 216	10 216	1 215	3 078	5 188	735	–
Other liabilities	49 163	49 163	25 785	18 282	–	–	5 096
Total financial liabilities	769 716	769 716	737 337	21 360	5 188	735	5 096
Contractual liquidity gap in maturities (payment dates)			737 855	(21 360)	(2 693)	(735)	(5 096)
Contractual cumulative liquidity gap			737 855	716 495	713 802	713 067	707 971

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

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

Contractual payment periods of financial assets and liabilities as at 31 March 2019 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	874 289	874 289	874 289	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	4 778	4 778	4 778	–	–	–	–
CFDs	103 103	103 103	103 103	–	–	–	–
Total financial assets at fair value through P&L	107 881	107 881	107 881	–	–	–	–
Financial assets at amortised cost	5 173	5 173	3 422	–	1 751	–	–
Total financial assets	987 343	987 343	985 592	–	1 751	–	–
Financial liabilities							
Amounts due to clients	500 688	500 688	500 688	–	–	–	–
Financial liabilities held for trading							
CFDs	15 938	15 938	15 938	–	–	–	–
Total financial liabilities held for trading	15 938	15 938	15 938	–	–	–	–
Liabilities due to lease	14 525	14 525	1 072	3 767	8 453	1 233	–
Other liabilities	20 386	20 386	13 814	4 656	–	–	1 916
Total financial liabilities	551 537	551 537	531 512	8 423	8 453	1 233	1 916
Contractual liquidity gap in maturities (payment dates)			454 080	(8 423)	(6 702)	(1 233)	(1 916)
Contractual cumulative liquidity gap			454 080	445 657	438 955	437 722	435 806

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

33.4 Credit risk

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

(IN PLN'000)	31.03.2020 (UNAUDITED)		31.12.2019 (AUDITED)		31.03.2019 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	1 270 563	1 270 563	955 196	831 895	874 289	874 289
Financial assets at fair value through P&L *	194 507	39 026	130 088	10 652	107 881	5 644
Financial assets at amortised cost	–	–	6 474	5 005	5 173	5 173
Total financial assets	12 617	12 617	1 110 988	847 552	987 343	885 106

** As at 31 March 2020 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 164 529 thousand (31 December 2019: PLN 130 190 thousand, 31 March 2019: PLN 103 103 thousand). This exposure was collateralised with clients' cash, which, as at 31 March 2020, covered the amount of PLN 140 894 thousand (31 December 2019: PLN 101 350 thousand, 31 March 2019: PLN 95 126 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

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

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

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

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and clients' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 31 March 2020, the Group had deposit accounts in 45 banks and institutions (31 December 2019: in 44 banks and institutions, 31 March 2019: in 43 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

	31.03.2020 (UNAUDITED)		31.12.2019 (AUDITED)		31.03.2019 (UNAUDITED)
ENTITY	(IN PLN'000)	ENTITY	ENTITY	(IN PLN'000)	ENTITY
Bank 1	373 538	Bank 1	257 494	Bank 1	244 860
Bank 2	179 213	Bank 2	197 799	Bank 2	154 028
Bank 3	119 785	Bank 3	135 374	Bank 3	108 600
Bank 4	118 619	Bank 4	93 637	Bank 4	70 285
Bank 5	117 979	Bank 5	43 170	Bank 5	41 794
Bank 6	51 841	Bank 6	36 649	Bank 6	37 032
Bank 7	39 301	Bank 7	27 005	Bank 7	31 403
Bank 8	37 967	Bank 8	25 291	Bank 8	31 058
Bank 9	35 291	Bank 9	22 982	Bank 9	23 661
Bank 10	28 947	Bank 10	17 982	Bank 10	17 689
Other	169 624	Other	97 813	Other	113 879
Total	1 272 105	Total	955 196	Total	874 289

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

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000)		
	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (NIEBADANE)
Cash and cash equivalent			
Step 1	1 120 117	804 016	779 331
Step 2	15 114	49 735	2 739
Step 3	112 431	78 403	67 089
Step 4	20 808	20 941	23 195
Step 5	2 092	2 101	1 935
Total	1 270 562	955 196	874 289

Financial assets held for trading

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

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

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets held for trading is high and does not show significant diversity.

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

ENTITY	31.03.2020 (UNAUDITED) NET EXPOSURE (IN PLN'000)	ENTITY	31.12.2019 (AUDITED) NET EXPOSURE (IN PLN'000)	ENTITY	31.03.2019 (UNAUDITED) NET EXPOSURE (IN PLN'000)
Entity 1	758	Entity 1	3 071	Entity 1	2 028
Entity 2	715	Entity 2	1 212	Entity 2	912
Entity 3	570	Entity 3	295	Entity 3	606
Entity 4	362	Entity 4	267	Entity 4	339
Entity 5	306	Entity 5	262	Entity 5	202
Entity 6	303	Entity 6	180	Entity 6	176
Entity 7	233	Entity 7	109	Entity 7	172
Entity 8	218	Entity 8	103	Entity 8	102
Entity 9	213	Entity 9	88	Entity 9	83
Entity 10	165	Entity 10	84	Entity 10	68
Total	3 843	Total	5 671	Total	4 688

Other receivables

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

NOTES TO THE QUARTERLY REPORT

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1. Information about the Group's activities

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

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

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

On 10 February of 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and consequently to a significant reduction of the Group's operation in Turkey. On 19 April 2018 the Management Board decided to resume an action to terminate the activities on the Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision by the Company was made after analyzing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.S.) did not have any active licence to operate and was in the process of capital redemption. On 15 April 2020 the Management Board made a decision on recognition in accounting records reclassification of the part of negative foreign exchange differences in the amount of PLN 21,9 million arising from the translation of the XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.S.) subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement.

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

The remaining part of foreign exchange differences arising from the translation of the Turkish company's equity, which as at the end of Q1 2020 amounted to PLN 2,5 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.

In the first three months of 2020, the Group continued the process of expanding the product offer mainly in terms of stock products and ETFs. This activity is aimed at satisfying the needs of clients who expect the widest possible product coverage of the market and instruments giving them exposure to various investment sectors. In the first quarter of 2020 over 150 cash market instruments (shares and ETF) and CFD shares have been introduced. The Management Board believes that xStation is currently one of the most developed trading platforms on the CFD and stock market. The company is constantly improving the transaction system in order to provide clients with the widest range of trading possibilities, technical analysis and fundamental analysis.

The Management Board believes that the Group has built solid foundations ensuring its good position to generate growth in the future.

2. Summary and analysis of the results of the Group

In the first quarter of 2020 XTB reported a consolidated net profit of PLN 176,0 million compared to PLN 0,8 million a year earlier. It is an increase of PLN 175,2 million. Consolidated revenue amounted to PLN 306,7 million (I quarter 2019: PLN 40,9 million) and operating expenses amounted to PLN 72,5 million (I quarter 2019: PLN 41,1 million). In this period the Group noted a record number of new clients i.e. 21 911, which is an increase of 220,2% y/y.

The results of the first quarter of 2020 were charged with the reclassification of negative foreign exchange differences in the amount of PLN 21,9 million arising from the translation of the XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.S.) subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement. The recognition of reclassification in the above amount as financial cost in accounting records is an accounting operation. 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.

2.1 Factors affecting operating and financial results

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

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

The key factors influencing the Group's financial and operating results for the 3 months ended 31 March 2020 are discussed below. According to the Management Board, these factors have and may have an impact on the Group's operations, operational and financial results, financial situation and prospects in the future.

2.2 Discussion of the Group's results for the first quarter of 2020

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

(in PLN'000)	THREE-MONTH PERIOD ENDED				
	31.03.2020	31.12.2019	CHANGE IN VALUE	CHANGE %	31.03.2019
Result of operations on financial instruments	305 009	87 877	217 132	247	39 253
Income from fees and charges	1 584	1 167	417	36	1 631
Other income	71	527	(456)	(87)	6
Total operating income	306 664	89 571	217 093	242	40 890
Salaries and employee benefits	(38 782)	(24 126)	14 656	61	(19 737)
Marketing	(16 740)	(10 222)	6 518	64	(9 178)
Other external services	(7 767)	(7 540)	227	3	(5 815)
Costs of maintenance and lease of buildings	(968)	(742)	226	30	(742)
Amortisation and depreciation	(1 861)	(1 720)	141	8	(1 788)
Taxes and Statutory Fees	(669)	(869)	(200)	(23)	(708)
Commission expenses	(4 540)	(2 282)	2 258	99	(2 032)
Other expenses	(1 202)	177	1 379	779	(1 098)
Total operating expenses	(72 529)	(47 324)	25 205	53	(41 098)
Profit (loss) on operating activities (EBIT)	234 135	42 247	191 888	454	(208)
Finance income	1 043	261	782	300	1 617
Finance costs, including:	(12 904)	(1 425)	11 479	806	(338)
- negative foreign exchange differences relating to a company in Turkey	*(21 880)*	-	*21 880*	*100*	-
Profit before tax	222 274	41 083	181 191	441	1 071
Income tax	(46 305)	(4 045)	42 260	1 045	(308)
Net profit	175 969	37 038	138 931	375	763

Revenues

In the first quarter of 2020 XTB noted a record revenue increase by 650,0 % y/y, i.e. by PLN 265,8 million from PLN 40,9 million to PLN 306,7 million. The significant factors determining the level of revenues were above-average volatility on financial and commodity markets caused by among others coronavirus COVID-19 global pandemic and a constantly growing client base combined with their high transaction activity noted in the number of concluded transactions in lots. As a consequence the transaction volume in CFD instruments amounted to 784,8 thousand lots (QI 2019: 394,4 thousand lots) and a profitability per lot increased by 276,9%.

	THREE-MONTH PERIOD ENDED							
	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Total operating income (in PLN'000)	306 664	89 571	60 952	47 891	40 890	42 786	47 578	84 200
Transaction volume in CFD instruments in lots[1]	784 840	394 146	423 333	385 318	394 421	458 869	345 118	616 082
Profitability per lot (in PLN)[2]	391	227	144	124	104	93	138	137

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

XTB has a solid foundation in the form of constantly growing client base and the number of active clients. In the QI of 2020 the Group reported a new record in the number of new clients amounted to 21 911 compared to 6 843 a year earlier i.e. an increase by 220,2 %. This is the effect of continuing the optimized sales and marketing strategy and the successive introduction of new products to the offer, such as CFD based on sector indices, shares, ETFs and expansion into new geographic markets. The average number of active clients was higher by 23 415 y/y, i.e. 105,3%. The intention of Management Board in 2020 is to further increase the client base.

	PERIOD ENDED							
	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
New clients[1]	21 911	10 424	10 042	9 246	6 843	5 742	4 884	4 734
Average number of active clients[2]	45 660	26 582	25 171	23 688	22 245	21 279	21 515	22 135
New accounts[3]	49 338	26 747	24 424	22 215	16 243	13 930	11 758	11 321
Average number of active accounts[4]	50 273	29 099	27 544	25 932	24 386	23 656	24 032	24 918

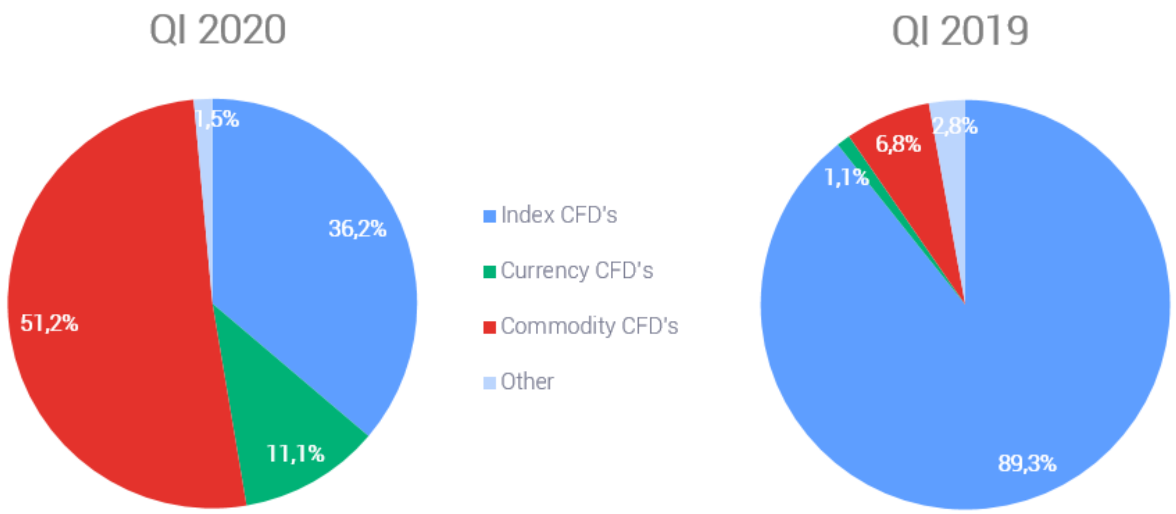
[1]) The number of new Group's clients in the individual periods.
[2]) The average quarterly number of clients respectively for 3 months of 2020 and 12, 9, 6 months of 2019 and 12, 9, 6 months of 2018.
[3]) The number of accounts opened by the Group's clients in the individual periods.
[4]) The average quarterly number of accounts respectively for 3 months of 2020 and 12, 9, 6, 3 months of 2019 and 12, 9, 6 months of 2018.

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

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on commodities dominated. Their share in the structure of revenues on financial instruments in QI 2020 reached 51,2% against 6,8% a year earlier. This is a consequence of among other large price fluctuations on CFD instruments based on oil prices and natural gas contracts. The second most profitable class were CFD instruments based on indices. Their share in the structure of revenues in QI 2020 reached 36,2% (QI 2019: 89,3%). The most popular instruments among this asset class were instruments based on the German DAX stock index (DE30) and contracts based on American indices. Revenues of CFD based on currency reached 11,1% of all revenues, compared to 1,1% a year earlier.

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

The structure of revenue by asset class (in %)



(in PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020	31.12.2019	CHANGE %	31.03.2019
Commodity CFDs	156 545	815	19 108	2 680
Index CFDs	110 682	80 584	37	35 363
Currency CFDs	34 048	6 163	452	433
Stock CFDs	2 500	(56)	4 564	627
Bond CFDs	163	(296)	155	329
Total CFDs	303 938	87 210	249	39 432
Shares and listed derivative instruments	1 839	531	246	178
Gross gain on transactions in financial instruments	305 777	87 741	248	39 610
Bonuses and discounts paid to costumers	(119)	(150)	(21)	(71)
Commission paid to cooperating brokers	(649)	286	(327)	(286)
Net gain on transaction in financial instruments	305 009	87 877	247	39 253

XTB places great importance on the geographical diversification of revenues. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 27,9% (QI 2019: 54,6%) and 19,0% (QI 2019: 17,0%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(in PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020	31.12.2019	CHANGE %	31.03.2019
Central and Eastern Europe	151 062	42 379	256	24 997
- including Poland	*85 432*	*33 967*	*152*	*22 319*
Western Europe	132 390	31 064	326	12 926
- including Spain	*58 136*	*15 208*	*282*	*6 964*
Latin America	23 212	16 128	44	2 967
Total operating income	306 664	89 571	242	40 890

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

(in PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020	31.12.2019	CHANGE %	31.03.2019
Retail segment	253 014	80 145	216	37 605
Institutional segment (X Open Hub)	53 650	9 426	469	3 285
Total operating income	306 664	89 571	242	40 890

Expenses

In the QI of 2020 operating expenses amounted to PLN 72,5 million and were higher by PLN 31,4 million in relation to the same period a year earlier (QI 2019: PLN 41,1 million). The most significant changes occurred in:

- costs of salaries and employee benefits, an increase of PLN 19,0 million mainly due to provisions established for variable components of remuneration (bonuses) and unused holidays and an increase in employment;
- marketing costs, an increase of PLN 7,6 million mainly due to higher expenditures on marketing online campaigns;
- commission expenses, an increase of PLN 2,5 million as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- other external costs, an increase of PLN 2,0 million as a result of higher expenditures on: (i) IT support service (an increase of PLN 1,6 million y/y); (ii) IT systems and licenses (an increase of PLN 0,4 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2020	31.12.2019	CHANGE %	31.03.2019
Salaries and employee benefits	38 782	24 126	61	19 737
Marketing	16 740	10 222	64	9 178
Other external services	7 767	7 540	3	5 815
Costs of maintenance and lease of buildings	968	742	30	742
Amortization and depreciation	1 861	1 720	8	1 788
Taxes and Statutory Fees	669	869	(23)	708
Commission expenses	4 540	2 282	99	2 032
Other expenses	1 202	(177)	779	1 098
Total operating expenses	72 529	47 324	53	41 098

In q/q terms, operating costs increased of PLN 25,2 million mainly due to higher by PLN 14,7 million costs of salaries and employee benefits and higher by PLN 6,5 million marketing expenditures.

	OKRES ZAKOŃCZONY							
	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Total operating income including: (in PLN'000)	72 529	47 324	42 980	42 490	41 098	40 862	48 837	41 750
- marketing	*16 740*	*10 222*	*8 735*	*9 581*	*9 178*	*7 878*	*8 669*	*8 976*
New clients	21 911	10 424	10 042	9 246	6 843	5 742	4 884	4 734
Average number of active clients	45 660	30 815	28 136	25 131	22 245	20 568	20 277	21 952

The Management Board expects that during the whole 2020 operating costs will be higher than in 2019. In the coming quarters the costs of salaries and employee benefits are expected to decline to similar levels to those we observed quarterly in 2019. In the second quarter of 2020 marketing costs are also expected to decline – similarly to the costs of salaries and employee benefits.

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 entry of new regulations may determine if necessary, a revision of the Group's cost assumption.

2.3 Group's selected financial ratios

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

			THREE-MONTH PERIOD ENDED
	31.03.2020	31.12.2019	31.03.2019
EBITDA (in PLN'000)[1]	235 996	43 967	1 580
EBITDA margin (%)[2]	77,0	49,1	3,9
Net profit margin (%)[3]	57,4	41,4	1,9
Return on equity –ROE (%)[4]	119,2	31,3	0,7
Return on assets – ROA (%)[5]	53,2	13,2	0,3
Standalone capital adequacy ratio, including buffers [6]	18,0	14,6	15,3
Aggregate capital adequacy ratio of the Group including buffers (%)[7]	15,1	13,3	14,5

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

2.4 Selected operating data

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

			THREE-MONTH PERIOD ENDED
	31.03.2020	31.12.2019	31.03.2019
Retail operations segment	706 282	338 309	346 203
Central and Eastern Europe	382 713	164 247	183 507
Western Europe	250 952	131 292	137 656
Latin America	72 617	42 770	25 040
Institutional operations segment	78 558	55 837	48 218
Total	784 840	394 146	394 421

The table below presents:

- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the number of new accounts opened by the Group's clients in individual periods;
- the number of active accounts;
- the aggregate number of accounts;
- the amount of net deposits in the individual periods;
- average operating income per one active client;

- average operating income per one active account;
- the transaction volume in lots;
- profitability per lot;
- the volume of CFD transactions at nominal value;
- profitability per 1 million turnover;
- the volume of share transactions in nominal value.

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

	THREE-MONTH PERIOD ENDED		
	31.03.2020	**31.12.2019**	**31.03.2019**
New clients[1]	21 911	10 424	6 843
Average number of active clients[2]	45 660	30 815	22 245
Clients in total	170 290	149 304	122 645
New accounts[3]	49 338	26 747	16 243
Average number of active accounts[4]	50 273	33 765	24 386
Accounts in total	372 355	323 315	253 978
Net deposits (in PLN'000)[5]	454 360	119 278	92 320
Average operating income per active client (in PLN'000)[6]	6,7	2,9	1,8
Average operating income per active account (in PLN'000)[7]	6,1	2,7	1,7
Transaction volume in CFD instruments in lots[8]	784 840	394 146	394 421
Profitability per lot (in PLN)[9]	391	227	104
Transaction volume in CFD instruments in nominal value (in USD'000000)	248 654,6	132 376,2	130 335,0
Profitability per 1 million transaction volume in CFD instruments (in PLN)	297,4	178,2	81,8
Turnover of shares in nominal value (in USD'000000)	157,4	55,2	33,5

1) The number of new Group's clients in the individual periods.
2) The average quarterly number of clients who at least one transaction has been concluded over the last three months.
3) The number of accounts opened by the Group's clients in the individual periods.
4) The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
5) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
6) The Group's operating income in a given period divided by the average quarterly number of clients who at least one transaction has been concluded over the last three months.
7) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
8) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.
9) Total operating income divided by the transaction volume in CFDs in lots.

Retail operations segment

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

	THREE-MONTH PERIOD ENDED		
	31.03.2020	31.12.2019	31.03.2019
New clients[1]	21 908	10 422	6 842
Average number of active clients[2]	45 636	30 790	22 215
Clients in total	170 253	149 265	122 597
New accounts[3]	49 334	26 745	16 242
Average number of active accounts[4]	50 245	33 731	24 352
Accounts in total	372 276	323 252	253 880
Number of transactions[5]	13 899 774	6 006 067	6 022 042
Transaction volume in CFD instruments in lots[6]	706 282	338 309	346 203
Net deposits (in PLN'000)[7]	411 080	110 530	90 739
Average operating income per active client (in PLN'000)[8]	5,5	2,6	1,7
Average operating income per active account (in PLN'000)[9]	5,0	2,4	1,5
Average cost of obtaining an client (in PLN'000)[10]	0,8	1,0	1,3
Average cost of obtaining an account (in PLN'000)[11]	0,3	0,4	0,6
Profitability per lot (in PLN)[12]	358	237	109
Transaction volume in CFD instruments in nominal value (in USD'000000)	225 878,3	120 443,4	114 929,4
Profitability per 1 million transaction volume in CFD instruments (in PLN)[13]	270,1	175,2	85,3
Turnover of shares in nominal value (in USD'000000)	157,4	55,2	33,5

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

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

	THREE-MONTH PERIOD ENDED					
	31.03.2020		31.12.2019		31.03.2019	
Central and Eastern Europe	24 845	54%	14 267	46%	11 667	53%
Western Europe	15 931	35%	11 616	38%	8 963	40%
Latin America	4 860	11%	4 907	16%	1 585	7%
Average number of active clients	45 636	100%	30 790	100%	22 215	100%

Institutional operations segment

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

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

	THREE-MONTH PERIOD ENDED		
	31.03.2020	**31.12.2019**	**31.03.2019**
Average number of active clients	24	25	30
Clients in total	37	39	48
Average number of active accounts	28	34	34
Accounts in total	79	63	98

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

	THREE-MONTH PERIOD ENDED		
	31.03.2020	**31.12.2019**	**31.03.2019**
Transaction volume in CFD instruments in lots	78 558	55 837	48 218

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

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

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

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

								PERIOD ENDED
	31.03.2020	**31.12.2019**	**30.09.2019**	**30.06.2019**	**31.03.2019**	**31.12.2018**	**30.09.2018**	**30.06.2018**
Total operating income (in PLN'000)	306 664	89 571	60 952	47 891	40 890	42 786	47 578	84 200
Transaction volume in CFD instruments in lots[1]	784 840	394 146	423 333	385 318	394 421	458 869	345 118	616 082
Profitability per lot (in PLN)[2]	391	227	144	124	104	93	138	137

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

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

	31.03.2020	**2019**	**2018**	**2017**	**2016**	**2015**
% share of operating income from institutional operations in total operating income	17,5%	8,7%	6,5%	15,2%	7,8%	4,7%

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

- The Management Board expects that during the whole 2020 operating costs will be higher than in 2019. In the coming quarters the costs of salaries and employee benefits are expected to decline to similar levels to those we observed quarterly in 2019. In the second quarter of 2020 marketing costs are also expected to decline – similarly to the costs of salaries and employee benefits.

  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 entry of new regulations may determine if necessary, a revision of the Group's cost assumption.

- On 10 February of 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and consequently to a significant reduction of the Group's operation in Turkey. On 19 April 2018 the Management Board decided to resume an action to terminate the activities on the Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision by the Company was made after analyzing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.S.) did not have any active licence to operate and was in the process of capital redemption.

  On 15 April 2020 the Management Board made a decision on recognition in accounting records reclassification of the part of negative foreign exchange differences in the amount of 21,9 million PLN arising from the translation of the XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.S.) subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement. The recognition of reclassification in the above amount as financial cost in accounting records is an accounting operation and was recognized in consolidated financial results for the 1st Quarter 2020. However, it did not affect the liquidity position of XTB nor the total amount of Group's equity as at the date of its booking. The remaining part of foreign exchange differences arising from the translation of the Turkish company's equity, which as at the end of Q1 2020 amounted to PLN 2,5 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.

- The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. The Management Board of XTB is convinced of the business's vitality over a longer time horizon. A wave of consolidation which is going through the market should allow XTB to consolidate its strong position. Less influential brokers, unable to withstand regulatory pressure and strong competition from a very significant brokers are gradually disappearing from the market. Consequently large brokers should expect the client base to grow.

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

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

3. Company's authorities

3.1 Management Board

As at 31 March 2020, the composition of the Management Board was as follows:

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

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

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

3.2 Supervisory Board

As at 31 March 2020 and as at the date of publication of this periodic report, the composition of the Supervisory Board was as follows:

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

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

4. Information about shares and shareholding

4.1 Equity

As at 31 March 2020 and as at the submission date of this periodic report, share capital of X-Trade Brokers Dom Maklerski S.A. comprised of 117 383 635 A-series ordinary shares. The nominal value of the shares is PLN 0,05 per share.

4.2 Share in the free float

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

4.3 Shareholding structure

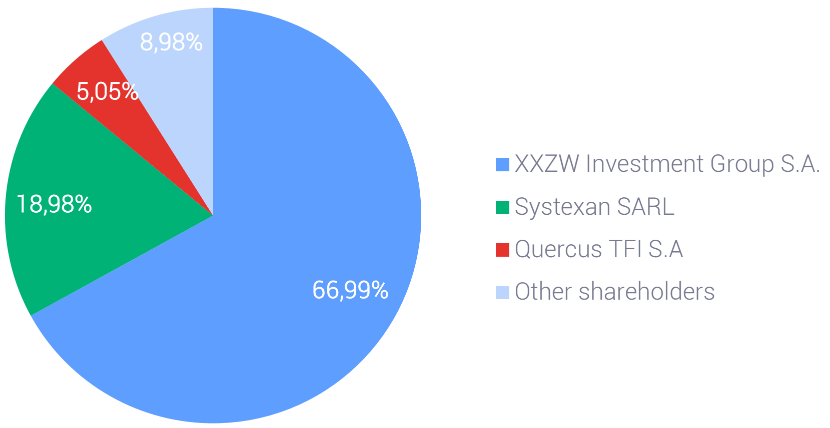
To the best knowledge of the Management Board of the Company as at 10 March 2020 i.e. as at the submission date of the previous periodic report (Annual report for 2019), the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES (%)
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Systexan SARL[2]	22 280 207	1 114	18,98%
Quercus TFI S.A	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

[1]) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.
[2]) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.

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

The shareholding structure as at 10 March 2020 is presented in the following chart:

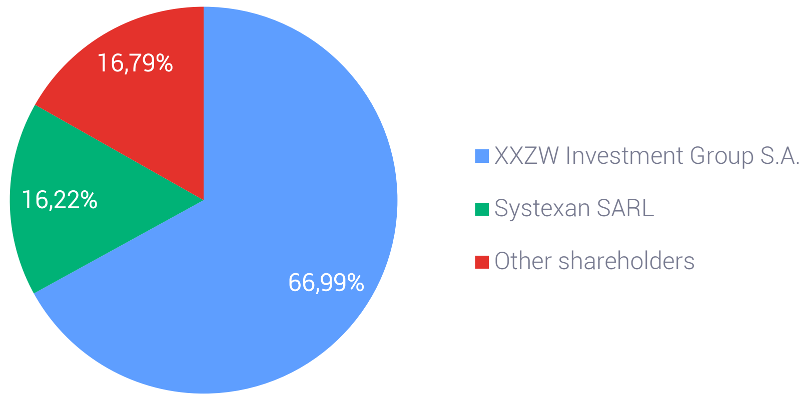


To the best knowledge of the Company's Management Board (according to the current report No. 10/2020 dated 20 April 2020 and to the current report No.12/2020 dated 28 April 2020, and t to the current report No.13/2020 dated 05 May 2020) as at the submission date of this periodic report the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes, was as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000))	SHARE IN CAPITAL/ IN TOTAL VOTES (%)
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Systexan SARL[2]	19 034 749	952	16,22%
Other shareholders	19 719 092	986	16,79%
Total	117 383 635	5 869	100,00%

[1]) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.
[2]) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.

The shareholding structure as at the submission date of this report is presented in the following chart:



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

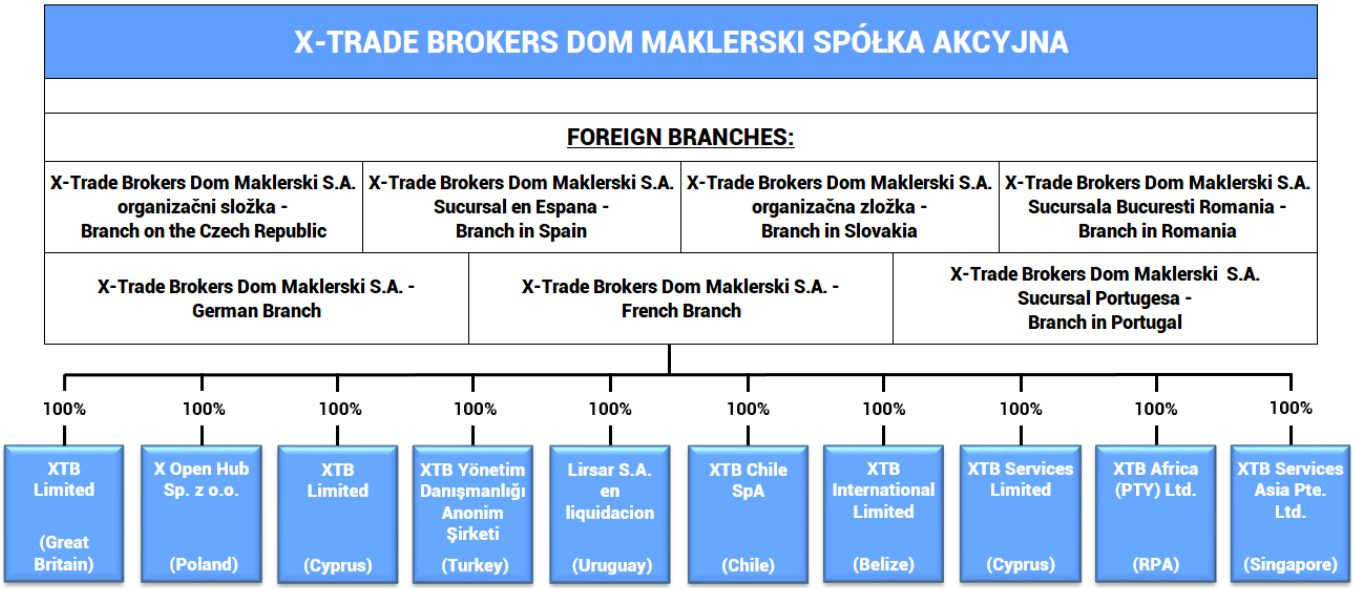
Management and supervisory personnel did not hold, at the end of the reporting period and at the submission date of this report, the Company's shares and the entitlements to the Company's shares.

5. Other information

5.1 Description of the Group's organization

As at submission date of this report the Group comprised Parent Company and 10 subsidiaries. The Company has 7 foreign branches.

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



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

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

Subsidiaries

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

XTB Limited, Great Britain

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

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

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

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

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

XTB Limited business comprises among other:

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

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

- execution of orders on behalf of clients,
- dealing on own account and following ancillary services:
  - safekeeping and administration of financial instruments on behalf of clients; including custodianship and related services such as cash/additional insurance,

– granting investors credits or loans to one or more financial instruments, where the firm granting the credit or loans is involved in the transaction,
– foreign exchange services where these are connected to the provision of investment services.

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

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

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

In 2020 XTB Yönetim Danışmanlığı Anonim Şirketi did not conduct operations. Historically, the company's business comprised among others:

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

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

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

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

Lirsar S.A in liquidacion, Uruguay

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay. Subsidiary's share capital and retained earnings were transferred to Parent Company on 14 December 2017. The company has not been formally liquidated until the submission date of this report.

XTB Chile SpA, Chile

On 17 February 2017 the Parent Company established XTB Chile SpA. The Company owns 100% of the shares in the 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 acquire 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. On 26 September 2019 the Company acquired 500 000 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital. 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 September 2017 the subsidiary changed its name to XTB Services Limited. The company provides marketing and marketing-sales services.

XTB Africa (PTY) Ltd., South Africa

On 10 July 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 submission date of this report the subsidiary did not conduct operations.

XTB Services Asia Pte. Ltd., Singapore

On 19 August 2019 the Company established XTB Services Asia Pte. Ltd. with its seat in Singapore in which it owns 100% of shares. As at 31 March 2020 the subsidiary did not conduct operations. On 8 April 2020 the Group started a liquidation process of the subsidiary XTB Service Asia Pte. Ltd. with its seat in Singapore to the Accounting and Corporate Regulatory Authority.

In the reporting period, i.e. from 1 January to 31 March 2020 and until the date of submitting this report, there were no changes in the structure of the X-Trade Brokers Dom Maklerski S.A. Group other than those described above.

5.2 Information on transactions with related parties

In 3-month period ended 31 March 2020 and 31 March 2019 were no related transactions concluded on other than arm's length basis.

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

(in PLN'000)	31.03.2020 REVENUES	31.03.2020 RECEIVABLES	31.03.2019 REVENUES	31.12.2019 RECEIVABLES	31.03.2019 RECEIVABLES
Related parties:					
XTB Limited (UK)	20 228	17 334	61	2 777	1 056
XTB Limited (CY)	1 162	251	493	94	14
X Open Hub Sp. z o.o. (Poland)	656	840	991	482	1 230
XTB International Limited (Belize)	23 634	10 224	3 226	5 579	1 823

(in PLN'000)	31.03.2020 COSTS	31.03.2020 LIABILITIES	31.03.2019 COSTS	31.12.2019 LIABILITIES	31.03.2019 LIABILITIES
Related parties:					
XTB Limited (UK)	(5 271)	4 287	(3 792)	7 488	5 465
XTB Limited (CY)	(538)	641	(745)	364	345
X Open Hub Sp. z o.o. (Poland)	(346)	166	(182)	93	74
XTB International Limited (Belize)	(6 025)	8 892	(4 362)	2 253	2 842
XTB Services Limited (CY)	(6 075)	2 507	(3 049)	896	312

In addition, as at 31 March 2020, the Company recognised a receivables balance:

- from a subsidiary X Open Hub Sp. z o.o. in the amount of PLN 40,0 thousands due to the dividends;
- from a subsidiary XTB Yönetim Danışmanlığı Anonim Şirketi (formerly: X Trade Brokers Menkul Değerler A.Ş.) in the amount of PLN 16 963 thousands due to dividends and reimbursement of capital redemption.

As at 31 March 2020 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 1,2 thousand due to his investment account (as at 31 December 2019 PLN 1,0 thousand, as at 31 March 2019 PLN 0,7 thousand). In the period from 1 January to 31 March 2020 the Company noted no profit from transactions with Mr Jakub Zabłocki (in the analogical period of 2019 the Company noted no profit from transactions concluded by MR Jakub Zabłocki). Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 31 March 2020 the paid gross salary and bonuses amounted to PLN 763 thousand and in the analogical period of 2019 amounted to PLN 746 thousand.

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

As at 31 March 2020 and in the reporting period, i.e. from 1 January 2020 to 31 March 2020, neither the Parent Company nor any of its subsidiaries granted any warranties in respect of loans or advances or any guarantees to any third party or its subsidiary, whose combined value is significant.

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

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

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

As at 31 March 2020 and as at the submission date of this report the Parent company and its subsidiaries were not a party to any significant proceedings pending before arbitration authority. The most important of the ongoing proceedings were indicated below.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report the total value of the claims brought against the Company and/or the Group Companies amounted to PLN 9 million, which consists of one suit brought by the employee with the total value of PLN 700 thousand and five suits brought by clients with the total value of PLN 8,3 million. Below are presented the most significant, in the Company's view:

- on January 5 2018, the Financial Ombudsman received a request from the client to investigate the legitimacy of restoring by the Company of this client's margin in the amount of PLN 131 000, i.e. the amount resulting from the loss of transactions closed by the Company. Their closing took place as a result of the mechanism of closing the position after 365 days from the day of their opening. This mechanism has been described in the regulations on the provision of brokerage services. On February 19, 2019 a lawsuit in the case under consideration was filed with the District Court. On April 26, 2019 the Company lodged an appeal;
- law suit dated August 2019 regarding Company's alleged illegal actions delivered to the Company in December 2019 – value of the claim is PLN 7 million. In previous reports the Company informed that there was a possibility of filing a suit by one of the Company's clients who accused the Company of improper execution of the agreement concluded with Company for provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts, by allegedly delaying and interrupting execution of the transactions via the trading platforms provided. The management board finds client's claims groundless. The only reason for the loss of the customer was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients;
- XTB International Limited ("XTB International") with its registered office in Belize is a party to legal proceedings regarding the liquidation of the bank Choice Bank Limited (the "Bank") maintaining the bank account of XTB International. The bank account accumulated funds in the amount of USD 500 000 to serve as security capital for the license issued by the International Financial Services Commission Belize in accordance with local legal requirements. Pursuant to the decision of the standing committee of the Bank and the Bank's liquidator dated October 4, 2019, 53% of the funds accumulated on the bank account of XTB International will be returned to XTB International. An action regarding the qualification of the remaining 47% of funds accumulated on the bank account as a trust, and thus having priority over other creditors, was submitted to the court. The case is currently pending. In the opinion of the Management Board, the probability of recovery is high.

Moreover, the Company received from the third party - ESBANK Bank Spółdzielczy ("Bank Spółdzielczy") a pre-trial payment order of approximately PLN 7.5 million for alleged damage that the Company was to cause to Bank Spółdzielczy. The damage was to consist in the Company's failure to apply financial security measures, which in turn, in line with Bank Spółdzielczy's arguments, was to 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. The Management Board assesses that there are no legal and factual grounds for the third party to formulate a claim, the likelihood of having to pay the amount is low, therefore no provision was created in the financial statements.

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

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

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

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

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

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

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

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

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 August 20, 2019, the Company filed a request for a settlement agreement covering PLN 1 400 000, consisting of: (a) PLN 800 000 for reimbursement of unjustified benefits by XTRADE EUROPE LTD. as a result of using conflicting signs as signs of goods or services of the enterprise; (b) PLN 600 000 as compensation for losses arising from the use of indications identical to those of the Company's enterprise and for lost profits in the form of remuneration for the use of the said signs. Proceedings in this case are currently pending before the District Court for the Capital City of Warsaw in Warsaw. On January 9, 2020, the first meeting took place. Due to the failure to provide the participant with the letter containing the summons to settle and the necessity of making another attempt by the Court, the second date of the meeting was set for 29 September 2020.

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 Polish Financial Supervision Authority refused to take the evidence requested by the Company (including the expert's opinion) and did take into account independent expert's opinions submitted by the Company. Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board appealed the abovementioned decision by filing on 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.
- On April 24, 2019, the Company received a letter from the Social Insurance Institution (hereinafter the "SII") informing about the intention to initiate a control of the contribution payer at the Company's headquarters. The scope of the control covered: (I) the correctness and reliability of calculating social insurance contributions by the contribution payer and other contributions, which SII is obliged to collect and social insurance and health insurance claims brought, (II) determining entitlements to social insurance benefits, paying these benefits and making settlements in this respect, (III) the correctness and timeliness of preparing applications for retirement and disability pensions, and (IV) issuing certificates or data reporting for social security purposes.

  On June 19, 2019, the Company received a control report indicating that the inspector found irregularities. The Company exercised due diligence to implement all post-control recommendations of the SII within the required period of 30 days from the delivery of the report. In the opinion of the Management Board, the irregularities identified during the control will not constitute basis for initiation administrative proceedings against the Company concerning the imposition of penalties or other sanctions. Therefore, there is no need to establish provisions for potential administrative penalties.
- By letter dated 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. All together with establishing scope of irregularities, the Company exercises due diligence in order to comply with AMF post-control recommendations. Nevertheless, no assurance may be given that the Company's way of adjustment to the particular recommendation will be considered as unlawful or non-compliant with AMF's attitude to the issue, therefore detected infringements in Company's brokerage activity may constitute basis to, inter alia, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of AMF or other authorities.

Regulatory environment

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

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

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

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

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

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

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

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

(c) changes in the scope of shareholder identification - any public company will be able to apply to the National Depository for Securities, brokerage house or bank keeping the account for information about shareholders.

On November 5, 2019, the bill was signed by the President. Date of entry into force of the provisions is divided - part of the law appeared within 14 days of the announcement, part on January 1, 2020, and part will come into force on September 3, 2020. The Company exercises 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Assumptions of the PFSA's Product intervention:

1. prohibition of placing on the market consisting of the dissemination, directing to retail clients or potential retail clients of information, advertising or promotion, as well as the distribution or sale of contracts for difference to retail clients, except when the following conditions are met:

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

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

(a) the retail customer concluded within 24 months:

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

(b) the retail client shall have appropriate knowledge regarding derivatives, including CFDs, supported by:

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

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

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

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

INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	31.03.2019 (UNAUDITED)
Result of operations on financial instruments	295 035	31 594
Income from fees and charges	1 088	1 540
Other income	71	6
Total operating income	296 194	33 140
Salaries and employee benefits	(31 803)	(16 039)
Marketing expense	(9 890)	(5 382)
Other external services	(13 154)	(8 259)
Costs associated with maintenance and lease of buildings	(571)	(523)
Amortization and depreciation	(1 559)	(1 546)
Taxes and statutory fees	(587)	(538)
Commission expenses	(3 471)	(1 630)
Other costs	(699)	(556)
Total operating expenses	(61 734)	(34 473)
Profit (loss) on operating activities	234 460	(1 333)
Impairment of investments in subsidiaries	(1 498)	(338)
Finance income	9 532	791
Finance costs	(84)	(159)
Profit (loss) before tax	242 410	(1 039)
Income tax	(46 076)	75
Net profit (loss)	196 334	(964)
Other comprehensive income	1 103	(24)
Items which will be reclassified to profit (loss) after meeting specific conditions	1 103	(24)
- foreign exchange differences on translation of foreign operations	*(1 045)*	61
- foreign exchange differences on valuation of separated equity	*2 652*	*(105)*
- deferred income tax	*(504)*	*20*
Total comprehensive income	197 437	(988)
Earnings per share:		
- basic profit (loss) per year attributable to shareholders of the Parent Company (in PLN)	1,67	(0,01)
- basic profit (loss) from continued operations per year attributable to shareholders of the Parent Company (in PLN)	1,67	(0,01)
- diluted profit (loss) of the year attributable to shareholders of the Parent Company (in PLN)	1,67	(0,01)
- diluted profit (loss) from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	1,67	(0,01)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	31.03.2020 (UNAUDITED)	31.12.2019 (AUDITED)	31.03.2019 (UNAUDITED)
ASSETS			
Cash and cash equivalents	1 152 036	855 811	779 572
Financial assets at fair value through P&L	175 333	136 549	100 577
Investments in subsidiaries	36 636	54 463	54 526
Income tax receivables	46	71	2 881
Financial assets at amortised cost	55 110	12 747	7 016
Prepayments and deferred costs	5 065	3 541	4 138
Intangible assets	439	380	466
Property, plant and equipment	12 199	13 138	15 746
Deferred income tax assets	7 649	7 189	7 426
Total assets	1 444 513	1 083 889	972 348
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to clients	621 648	519 550	450 052
Financial liabilities held for trading	28 788	19 159	13 543
Income tax liabilities	25 034	1 335	186
Liabilities due to lease	9 802	10 119	13 316
Other liabilities	45 813	19 446	19 344
Provisions for liabilities	1 473	1 452	1 050
Deferred income tax provision	17 251	15 561	12 635
Total liabilities	749 809	586 622	510 126
Equity			
Share capital	5 869	5 869	5 869
Supplementary capital	71 608	71 608	71 608
Other reserves	364 619	364 619	334 760
Foreign exchange differences on translation	2 129	1 026	1 135
Retained earnings	250 479	54 145	48 850
Total equity	694 704	497 267	462 222
Total equity and liabilities	1 444 513	1 083 889	972 348

INTERIM CONDENDSED STATEMENT OF CHANGES IN EQUITY

Interim condensed statement of changes in equity for the period from 1 January 2020 to 31 March 2020

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2019	5 869	71 608	364 619	1 026	54 145	497 267
Total comprehensive income for the financial year						
Net profit (loss)	–	–	–	–	196 334	196 334
Other comprehensive income	–	–	–	1 103	–	1 103
Total comprehensive income for the financial year	–	–	–	1 103	196 334	197 437
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	–	–	–	–
- dividend payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2019 (unaudited)	5 869	71 608	364 619	2 129	250 479	694 704

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

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

Interim condensed statement of changes in equity for the period from 1 January 2019 to 31 March 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2019	5 869	71 608	334 760	1 159	49 814	463 210
Total comprehensive income for the financial year						
Net profit (loss)	–	–	–	–	(964)	(964)
Other comprehensive income	–	–	–	(24)	–	(24)
Total comprehensive income for the financial year	–	–	–	(24)	(964)	(988)
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	–	–	–	–
- dividend advance payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2019 (unaudited)	5 869	71 608	334 760	1 135	48 850	462 222

INTERIM CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2019 (UNAUDITED)
Cash flows from operating activities		
Profit (loss) before tax	242 410	(1 039)
Adjustments:		
Amortization and depreciation	1 559	1 546
Foreign exchange (gains) losses from translation of own cash	(4 873)	784
(Gain) Loss on investment activity	14 351	338
Other adjustments	802	(23)
Changes		
Change in provisions	21	1
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading	(29 155)	(5 297)
Change in balance of restricted cash	(74 599)	(38 851)
Change in financial assets at amortised cost	(42 363)	4 516
Change in balance of prepayments and accruals	(1 524)	(1 787)
Change in balance of amounts due to clients	102 098	44 852
Change in balance of other liabilities	26 367	(1 124)
Cash from operating activities	235 094	3 916
Income tax paid	(21 122)	(69)
Interests	78	110
Net cash from operating activities	214 050	3 957
Cash flow from investing activities		
Expenses relating to payments for property, plant and equipment	(218)	(928)
Expenses relating to payments for intangible assets	(109)	(35)
Expenses relating to payments for investments in subsidiaries	3 477	–
Net cash from investing activities	3 150	(963)
Cash flow from financing activities		
Payments of liabilities under finance lease agreements	(368)	(978)
Interest paid under lease	(78)	(110)
Net cash from financing activities	(446)	(1 088)
Increase (Decrease) in net cash and cash equivalents	216 754	1 906
Cash and cash equivalents – opening balance	435 039	412 950
Effect of FX rates fluctuations on balance of cash in foreign currencies	4 872	(784)
Cash and cash equivalents – closing balance	656 665	414 072

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