



## **X-TRADE BROKERS DOM MAKLERSKI S.A.**

(joint stock company with its registered office in Warsaw and address at ul. Ogrodowa 58, 00-876 Warszawa, entered into the Register of Business Entities of the National Court Register under No. 0000217580)

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### **CURRENT REPORT NO. 15/2020**

Warsaw, 28 July 2020

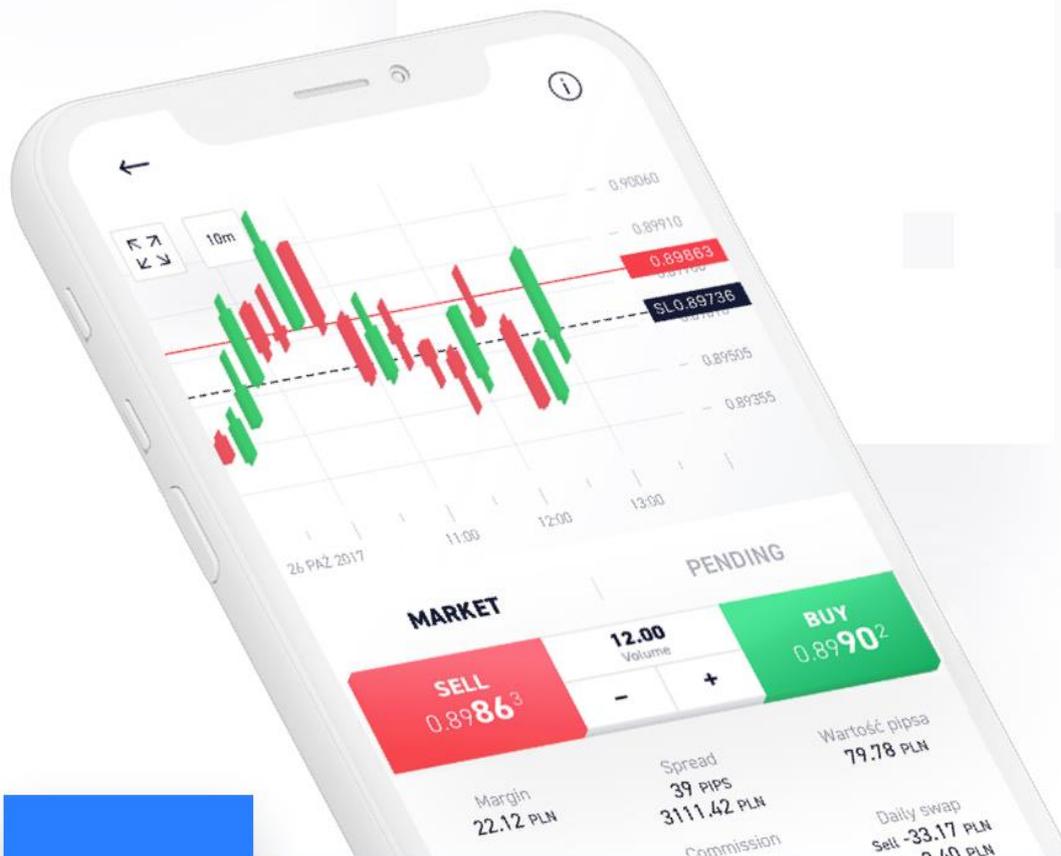
# **Information on the preliminary financial and operating results for the I half of 2020**

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer“) hereby announces that on 28 July 2020 the aggregation process of financial data for the purpose of the preparation of the condensed consolidated financial statements of the Issuer’s Group for the I half of 2020 was completed. Therefore the decision was made to publish the preliminary consolidated selected financial and operating data for the above period, which the Issuer submits as an attachment to the foregoing current report.

The Issuer informs also that the final financial and operating results for the I half of 2020 will be submitted in the extended consolidated report of the Issuer’s Group for the I half of 2020, publication of which was planned for 21 August 2020.

*Legal basis:*

*Article 17 paragraph 1 MAR – inside information.*



## Appendix to the current report No. 15/2020 dated 28 July 2020



## H1 2020

NET PROFIT

**293,5** MM PLN

+ 5 592,2% r/r ↑

EBIT

**379,6** MM PLN

+ 7 209,5% r/r ↑

OPERATING INCOME

**518,2** MM PLN

+ 483,6% r/r ↑

NEW CLIENTS

**52 434**

+ 225,9% r/r ↑

AVERAGE NUMBER OF  
ACTIVE CLIENTS

**52 084**

+ 119,9% r/r ↑

CFD VOLUME

**1 613 857**

+ 107,0% r/r ↑

CFD PROFITABILITY PER LOT

**321** PLN

+ 182,1% r/r ↑



## Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2020	31.03.2020	30.06.2020	30.06.2019
Total operating income	211 494	306 664	518 158	88 781
Total operating expenses	(66 046)	(72 529)	(138 575)	(83 588)
<b>Profit on operating activities (EBIT)</b>	<b>145 448</b>	<b>234 135</b>	<b>379 583</b>	<b>5 193</b>
Finance income	2 383	1 043	3 426	3 232
Finance costs, including:	(7 853)	(12 904)	(20 757)	(1 312)
- negative foreign exchange differences relating to a company in Turkey	-	(21 880)	(21 880)	-
<b>Profit before tax</b>	<b>139 978</b>	<b>222 274</b>	<b>362 252</b>	<b>7 113</b>
Income tax	(22 459)	(46 305)	(68 764)	(1 957)
<b>Net profit</b>	<b>117 519</b>	<b>175 969</b>	<b>293 488</b>	<b>5 156</b>

(in PLN'000)				AS AT
	30.06.2020	31.03.2020	31.12.2019	30.06.2019
Own cash	681 342	731 175	484 351	433 861
Own cash + treasury bonds	812 725	757 387	499 250	433 861
Equity	778 074	690 132	490 744	437 852
Standalone capital adequacy ratio (%)	13,6	18,0	14,6	14,7
Aggregated capital adequacy ratio (%)	12,9	15,1	13,3	14,0

## Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2020	31.03.2020	30.06.2020	30.06.2019
New clients <sup>1)</sup>	30 523	21 911	52 434	16 089
Average number of active clients <sup>2)</sup>	58 508	45 660	52 084	23 688
Clients in total	199 365	170 290	199 365	128 266
Net deposits (in PLN'000) <sup>3)</sup>	590 825	454 360	1 045 185	194 884
Average operating income per active client (in PLN'000) <sup>4)</sup>	3,6	6,7	9,9	3,7
Transaction volume in CFD instruments in lots <sup>5)</sup>	829 017	784 840	1 613 857	779 738
Profitability per lot (in PLN) <sup>6)</sup>	255	391	321	114
Transaction volume in CFD instruments in nominal value (in USD'000000)	206 037,1	248 654,6	454 691,7	268 965,6
Profitability per 1 million transaction volume in CFD instruments (in PLN)	257,9	297,4	286,4	88,4
Turnover of shares in nominal value (in USD'000000)	363,1	157,4	520,5	74,7

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

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

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

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

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

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



## Management Board's commentary on the preliminary results

The first half of 2020 was record breaking for XTB for many reasons. Consolidated net profit amounted to PLN 293,5 million compared to PLN 5,2 million a year earlier. Consolidated revenue amounted to PLN 518,2 million (H1 2019: PLN 88,8 million) and operating expenses reached PLN 138,6 million (H1 2019: PLN 83,6 million). In this period the Group also noted a record number of new clients i.e. over 52 thousand compared to 16 thousand a year earlier (an increase of 225,9% y/y).

### Revenues

In the first half of 2020 XTB noted a record revenue increase from PLN 88,8 million to PLN 518,2 million, i.e. by 483,6% y/y. 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 1 613,9 thousand lots (H1 2019: 779,7 thousand lots) and a profitability per lot reached PLN 321 (H1 2019: PLN 114).

	THREE-MONTH PERIOD ENDED							
	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Total operating income (in PLN'000)	211 494	306 664	89 571	60 952	47 891	40 890	42 786	47 578
Transaction volume in CFD instruments in lots <sup>1</sup>	829 017	784 840	394 146	423 333	385 318	394 421	458 869	345 118
Profitability per lot (in PLN) <sup>2</sup>	255	391	227	144	124	104	93	138

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

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

XTB has a solid foundation in the form of constantly growing client base and the number of active clients. In the first half of 2020 the Group reported a new record in the number of new clients amounted to 52 434 compared to 16 089 a year earlier. This is the effect of continuing the optimized sales and marketing strategy, bigger penetration of already existed markets, successive introduction of new products to the offer and expansion into a new geographic markets. Similarly to the number of new clients, the number of active client was also record high. The number of active client increased from 23 688 to 52 084, i.e. by 119,9% y/y. The intention of Management Board in 2020 and subsequent years is to further increase the client base.

	PERIOD ENDED							
	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
New clients <sup>1</sup>	30 523	21 911	10 424	10 042	9 246	6 843	5 742	4 884
Average number of active clients <sup>2</sup>	52 084	45 660	26 582	25 171	23 688	22 245	21 279	21 515

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

<sup>2)</sup> The average quarterly number of clients respectively for 6 and 3 months of 2020 and 12, 9, 6 and 3 months of 2019 and 12, 9 months of 2018.

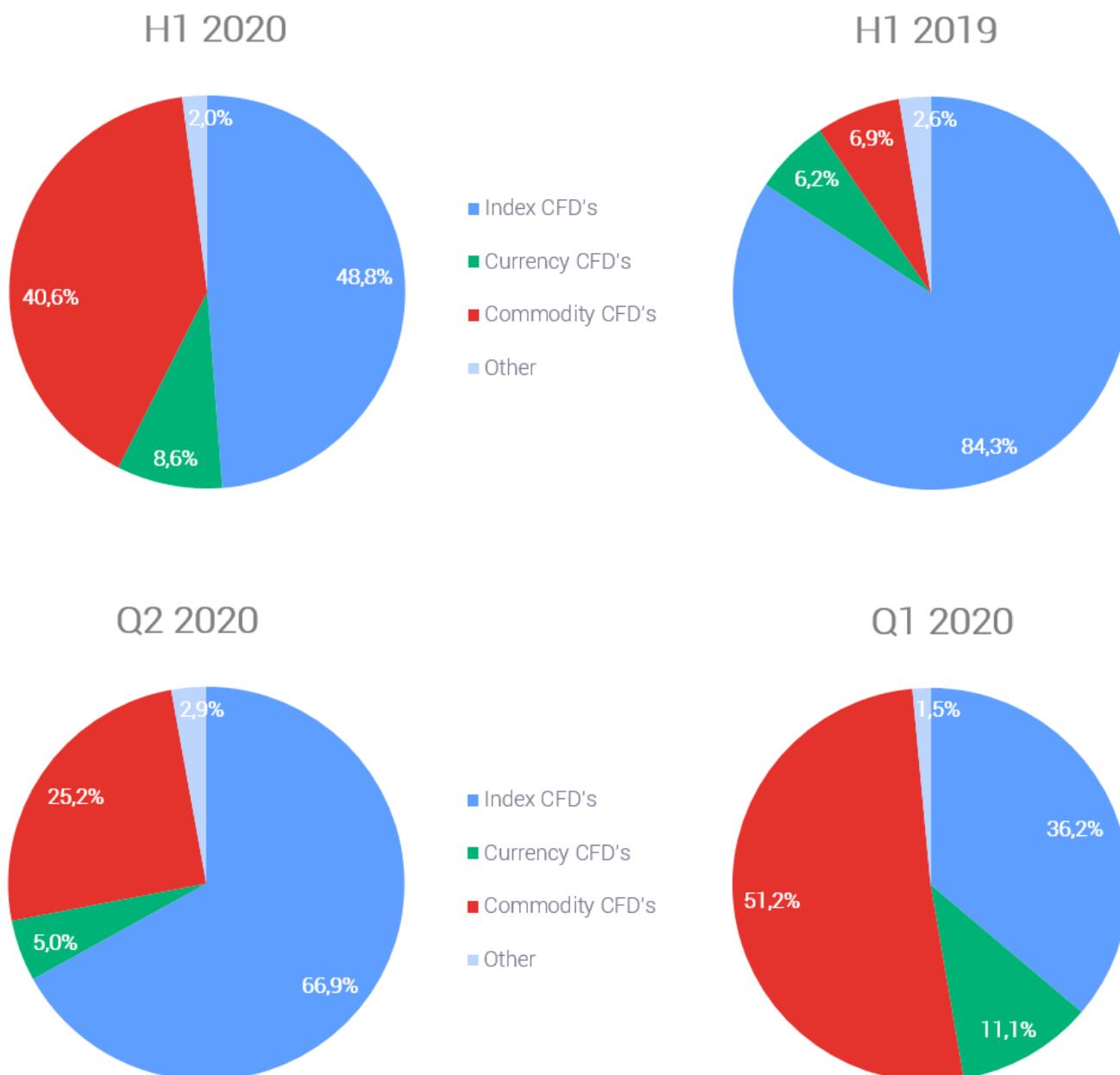
XTB's aim is to provide clients with diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2020 and subsequent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



Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in the first half of 2020 reached 48,8% against 84,3% a year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30) and the US indices US500, US100 and contract based on volatility index listed on the U.S. organized market. The second most profitable class of assets were CFD based on commodities. Their share in the structure of revenues on financial instruments in the first half of 2020 reached 40,6% (H1 2019: 6,9%). The most profitable instruments among this asset class were CFD instruments based on oil prices, gold and natural gas contracts. Revenues of CFD based on currency reached 8,6% of all revenues, compared to 6,2% 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		SIX-MONTH PERIOD ENDED	
	30.06.2020	31.03.2020	30.06.2020	30.06.2019
Index CFDs	142 136	110 682	252 818	72 595
Commodity CFDs	53 498	156 545	210 043	5 950
Currency CFDs	10 695	34 048	44 743	5 336
Stock CFDs and ETFs	1 900	2 500	4 400	1 162
Bond CFDs	(25)	163	138	663
<b>Total CFDs</b>	<b>208 204</b>	<b>303 938</b>	<b>512 142</b>	<b>85 706</b>
Shares and ETFs	4 159	1 839	5 998	400
<b>Gross gain on transactions in financial instruments</b>	<b>212 363</b>	<b>305 777</b>	<b>518 140</b>	<b>86 106</b>
Bonuses and discounts paid to costumers	(340)	(119)	(459)	(89)
Commission paid to cooperating brokers	(1 634)	(649)	(2 283)	(580)
<b>Net gain on transaction in financial instruments</b>	<b>210 389</b>	<b>305 009</b>	<b>515 398</b>	<b>85 437</b>

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 34,1% (H1 2019: 40,8%) and 17,8% (H1 2019: 23,9%). 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		SIX-MONTH PERIOD ENDED	
	30.06.2020	31.03.2020	30.06.2020	30.06.2019
<b>Central and Eastern Europe</b>	<b>106 062</b>	<b>151 062</b>	<b>257 124</b>	<b>44 703</b>
- including Poland	91 498	85 432	176 930	36 212
<b>Western Europe</b>	<b>83 142</b>	<b>132 390</b>	<b>215 532</b>	<b>36 936</b>
- including Spain	33 869	58 136	92 005	21 187
<b>Latin America</b>	<b>22 290</b>	<b>23 212</b>	<b>45 502</b>	<b>7 142</b>
<b>Total operating income</b>	<b>211 494</b>	<b>306 664</b>	<b>518 158</b>	<b>88 781</b>

XTB puts also 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 period to period, analogically to the retail segment, which is typical for the business model adopted by the Group.

(in PLN'000)	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2020	31.03.2020	30.06.2020	30.06.2019
Retail segment	175 543	253 014	428 557	78 151
Institutional segment (X Open Hub)	35 951	53 650	89 601	10 630
<b>Total operating income</b>	<b>211 494</b>	<b>306 664</b>	<b>518 158</b>	<b>88 781</b>

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



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

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

## Expenses

In the first half of 2020 operating expenses amounted to PLN 138,6 million and were higher by PLN 55,0 million in relation to the same period a year earlier (H1 2019: PLN 83,6 million). The most significant changes occurred in:

- costs of salaries and employee benefits, an increase of PLN 25,9 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 19,9 million mainly due to higher expenditures on marketing online campaigns;
- commission expenses, an increase of PLN 6,6 million as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- other external costs, an increase of PLN 1,9 million as a result of higher expenditures on: (i) IT systems and licenses (an increase of PLN 0,4 million y/y); (ii) legal and consulting services (an increase of PLN 0,6 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2020	31.03.2020	30.06.2020	30.06.2019
Salaries and employee benefits	27 620	38 782	66 402	40 530
Marketing	21 870	16 740	38 610	18 759
Other external services	5 465	7 767	13 232	11 361
Costs of maintenance and lease of buildings	933	968	1 901	1 532
Amortization and depreciation	1 954	1 861	3 815	3 238
Taxes and fees	723	669	1 392	1 530
Commission expenses	5 984	4 540	10 524	3 904
Other expenses	1 497	1 202	2 699	2 734
<b>Total operating expenses</b>	<b>66 046</b>	<b>72 529</b>	<b>138 575</b>	<b>83 588</b>

In q/q terms, operating costs decreased of PLN 6,5 million mainly due to lower by PLN 11,2 million costs of salaries and employee benefits and higher by PLN 5,1 million marketing expenditures.



	THREE-MONTH PERIOD ENDED							
	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Total operating income including: (in PLN'000)	66 046	72 529	47 324	42 980	42 490	41 098	40 862	48 837
- Marketing	21 870	16 740	10 222	8 735	9 581	9 178	7 878	8 669
New clients	30 523	21 911	10 424	10 042	9 246	6 843	5 742	4 884
Average number of active clients	52 084	45 660	30 815	28 136	25 131	22 245	20 568	20 277

The Management Board expects that during the whole 2020 operating costs will be higher than in 2019. The final level of operating costs will depend on the level of variable remuneration components paid to employees, the level of marketing expenditures, the dynamics of geographical expansion into new markets and the impact of potential product interventions and other external factors on the level of revenues generated by the Group.

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

In terms of remuneration costs and employee benefits, in the subsequent quarters of 2020 it is assumed that their amount may fluctuate between the levels recorded in Q2 2020, and those noted in Q4 and Q3 of 2019. In the third quarter of this year, due to holiday period, the Management Board plans to limit online marketing activities. This may result in a decrease in marketing costs by approximately 20-30% and lower client base growth. In turn, in the fourth quarter of this year the Management Board aims to strengthen branding activity in the Group.

## Dividend and capital requirements

The XTB dividend policy assumes recommendation by the Management Board to the General Meeting a dividend payment in the amount taking into account the level of net profit presented in the standalone annual financial report of the Company and a variety of factors relating to the Company, including prospects for further operations, future net profits, demand for cash, financial situation, the level of capital adequacy ratios, expansion plans, legal requirements in this area and KNF guidelines. In particular, the Management Board, when submitting proposals for dividend payment, will be guided by the need to ensure an appropriate level of the Company's capital adequacy ratios and the capital necessary for the development of the Group. The Management Board maintains that its intention is to recommend in the future the adoption of resolutions to the General Meeting on dividend payment taking into account factors mentioned above, at the level of 50% to 100% of Company's standalone net profit of a given financial year. The standalone net profit for the first half of 2020 amounted to PLN 312,7 million.

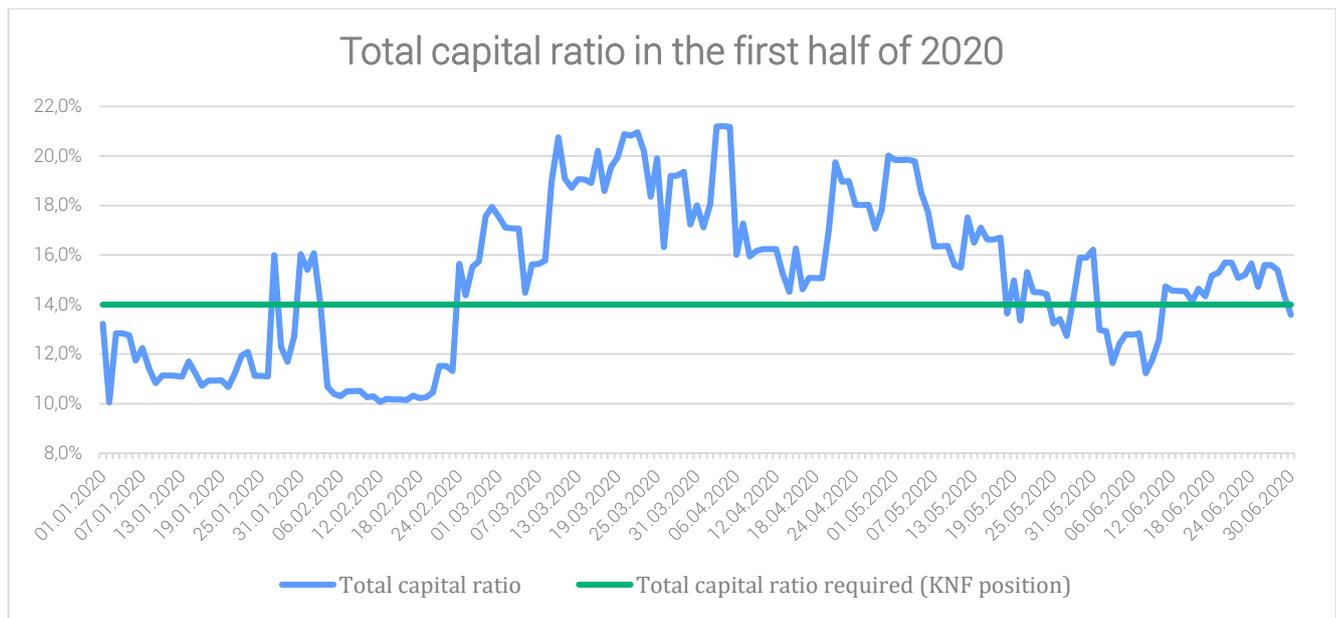
Taking into account the position of the KNF published on 22 May 2018, regarding the dividend policy of brokerage houses in the medium term, it is recommended to pay dividends only by brokerage houses that especially:

- at the end of each quarter, have a total capital ratio of at least 14% - then it is possible to pay a dividend in the amount not higher than 100% of the net profit for a given year, or
- as at the last calendar day of a given year had a total capital ratio of at least 14% - then it is possible to pay a dividend at the level not exceeding 75% of the net profit for a given year;
- obtain a BION supervisory assessment of 1 or 2.

As at the date of publication of this current report, the Company is waiting for the latest BION assessment. In recent years the Company received it from KNF in July.



The chart below presents levels of the total capital ratio in the first half of 2020.



The total capital ratio informs about the relation between own funds and risk-weighted assets. It shows whether the brokerage house is able to cover the minimum capital requirement for market, credit, operational and other risks with its own funds. At the end of the first quarter of this year the total capital ratio in the Company amounted to 18,0%, and at the end of the second quarter of 2020: 13,6%. This means that on condition of obtaining the total capital ratio as at 31.12.2020 at the level of at least 14% and meeting the other criteria, it will be possible to pay a dividend from the Company's standalone net profit for the 2020 at the level of up to 75% of its profit.

The Management Board wants to protect the interest of shareholders in terms of the possibility of paying dividends from net profit of 2020 and plans to apply to KNF for permission to include part of the profit for H1 2020 (maximum to 25% of this net profit) to Equity Tier I. As a result of these actions, if the KNF approval will be obtained, the Company's capital base and the total capital ratio should be increased. In the opinion of the Management Board, this will secure the achievement of the total capital ratio as at 31.12.2020 at the level of at least 14%.

## Cash

XTB, as an investment company, operates in the *market making* model for CFD instruments. It means that the Company offers liquidity on the market by accepting, on its own account, purchase and sale transactions of financial instruments concluded and initiated by its retail and institutional clients. The Group does not engage, strictly speaking, in *proprietary trading* in anticipation of changes in prices or values of the underlying instruments.

The activity in *market making* model causes market risk which, in accordance with applicable law, must be covered by maintaining sufficiently high equity (capital ratio). On the asset side in the balance sheet, this is shown in the value of own cash.

In an environment of low interest rates, which discourages the maintenance of high deposits in banks, XTB started to locate part of its cash in financial instruments with a risk weight of 0% (treasury bonds). As at 30.06.2020 the total amount of own cash and treasury bonds in the Group amounted to PLN 812,7 million, that includes PLN 681,3 million of own cash and PLN 131,4 million of treasury bonds. The Management Board assumes that the value of the portfolio of instruments of 0% risk will increase in the future.



## Development perspectives

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

The development of XTB is also possible through mergers and acquisitions, especially with entities that would allow the Group to achieve geographic synergy (complementary markets). Such transactions will be carried out, only when they will bring measurable benefits for the Company and its shareholders.