



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)

DISCLAIMER

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CURRENT REPORT NO. 2/2021

Warsaw, 3 February 2021

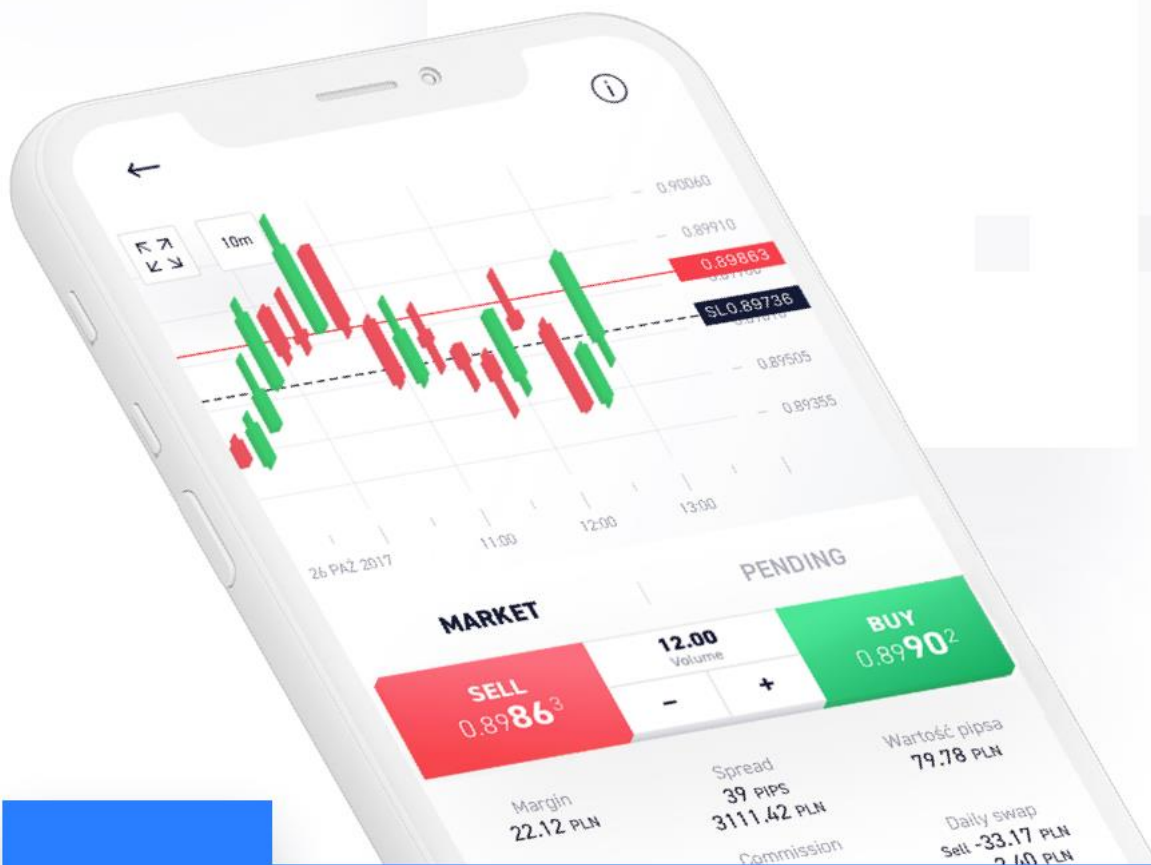
Preliminary financial and operating results for the year 2020

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”, “Company”, “XTB”) hereby announces that on 3 February 2021 the aggregation process of financial data for the purpose of the preparation of the reports for the year 2020 – of the Company and of the Issuer’s Capital Group, respectively – 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 year 2020 will be submitted in the yearly reports – of the Company and of the Issuer’s Capital Group, respectively – publication of which was planned for 10 March 2021.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report

No 2/2021 dated 3 February 2021

Preliminary financial and operating results
for the year 2020

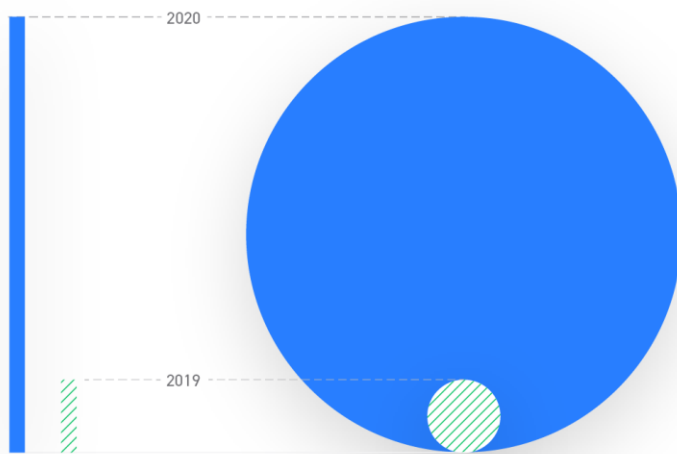


XTB KEY PERFORMANCE INDICATORS

NET PROFIT

402.4 MM
PLN

▲ +597.4% y/y



EBIT

516.3 MM
PLN

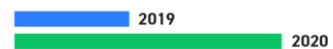
▲ +689.3% y/y



OPERATING INCOME

797.9 MM
PLN

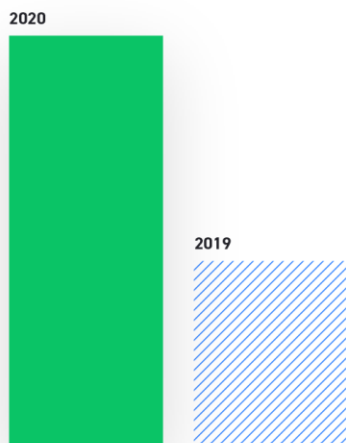
▲ +233.4% y/y



AVERAGE NUMBER OF ACTIVE CLIENTS

58 069

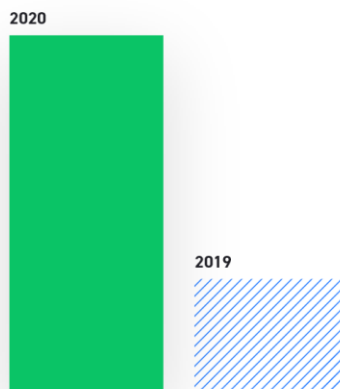
▲ +118.5% y/y



NEW CLIENTS

112 025

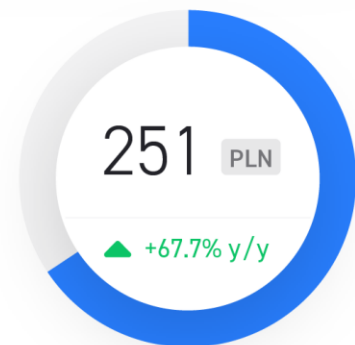
▲ +206.5% y/y



CFD PROFITABILITY PER LOT

251 PLN

▲ +67.7% y/y



CFD VOLUME

3 175 166

▲ +98.8% y/y





Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total operating income	140 149	89 571	797 937	239 304
Total operating expenses	(83 271)	(47 324)	(281 659)	(173 892)
Profit on operating activities (EBIT)	56 878	42 247	516 278	65 412
Finance income	2 038	261	5 857	5 901
Finance costs, including:	(1 305)	(1 425)	(22 901)	(1 877)
- negative foreign exchange differences relating to a company in Turkey	-	-	(21 880)	-
Profit before tax	57 611	41 083	499 234	69 436
Income tax	(17 085)	(4 045)	(96 852)	(11 735)
Net profit	40 526	37 038	402 382	57 701

(in PLN'000)	AS AT	
	31.12.2020	31.12.2019
Own cash	542 229	484 351
Own cash + bonds	940 845	499 250
Equity	888 596	490 744
Standalone capital adequacy ratio (%)	14,8	14,6
Aggregated capital adequacy ratio (%)	14,1	13,3

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
New clients ¹	38 413	10 424	112 025	36 555
Clients in total	255 791	149 304	255 791	149 304
Number of active clients ²	72 346	30 815	107 287	45 837
Average number of active clients ³	72 346	30 815	58 069	26 582
Net deposits (in PLN'000) ⁴	619 798	119 278	1 961 242	409 420
Average operating income per active client (in PLN'000) ⁵	1,9	2,9	13,7	9,0
Transaction volume in CFD instruments in lots ⁶	800 935	394 146	3 175 166	1 597 218
Profitability per lot (in PLN) ⁷	175	227	251	150
Transaction volume in CFD instruments in nominal value (in USD'000000)	292 000,1	132 376,2	1 021 835,3	541 509,5
Profitability per 1 million USD transaction volume in CFD instruments (in PLN)	127,7	178,2	207,8	116,4
Turnover of shares in nominal value (in USD'000000)	776,7	55,2	1 643,3	178,8

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

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

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

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

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

⁶⁾ A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.

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



Management Board's commentary on the preliminary results

For many companies 2020 was a time of struggle for survival – for XTB it was a time of building capacity and dominance to be an even better and stronger company in the future. High volatility on financial and commodity markets as well as interest rate cuts made trading on financial instruments very attractive for many investors. As a consequence, the Group noted a record-breaking number of new clients, i.e. 112 thousand compared to less than 37 thousand a year earlier (an increase of 206,5% y/y). Transaction volume in CFD instruments in lots almost doubled – an increase from 1,6 million to 3,2 million lots, i.e. by 98,8% y/y.

The dynamic operating growth of XTB under favorable market conditions brought record financial results in 2020. Consolidated net profit amounted PLN 402,4 million compared to PLN 57,7 million a year earlier. Consolidated revenue amounted to PLN 797,9 million (2019: PLN 239,3 million) with operating costs at the level of PLN 281,7 million (2019: PLN 173,9 million).

Revenues

In 2020 XTB noted a record increase of revenues from PLN 239,3 million to PLN 797,9 million, i.e. by 233,4% y/y. The significant factors determining the level of revenues were high 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 3 175,2 thousand lots (2019: 1 597,2 thousand lots) and a profitability per lot reached PLN 251 (2019: PLN 150).

	TWELVE-MONTH PERIOD ENDED							
	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014	
Total operating income (in PLN'000)	797 937	239 304	288 301	273 767	250 576	282 542	204 434	
Transaction volume in CFD instruments in lots ¹	3 175 166	1 597 218	2 095 412	2 196 558	2 015 655	2 443 302	1 986 639	
Profitability per lot (in PLN) ²	251	150	138	125	124	116	103	

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.

In the Q4 of 2020, the revenues increased by 56,5% y/y, i.e. by PLN 50,5 million from PLN 89,6 million to PLN 140,1 million. This change was caused by (i) a higher XTB clients transaction volume in CFD instruments in lots- an increase by 406 789 lots (from 394 146 to 800 935 lots); (ii) a lower profitability per lot – a decrease by PLN 52 (from PLN 227 to PLN 175).

	THREE-MONTH PERIOD ENDED							
	30.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
Total operating income (in PLN'000)	140 149	139 630	211 494	306 664	89 571	60 952	47 891	40 890
Transaction volume in CFD instruments in lots ¹	800 935	760 373	829 017	784 840	394 146	423 333	385 318	394 421
Profitability per lot (in PLN) ²	175	184	255	391	227	144	124	104

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 2020 the Group reported another record in this area by acquiring 112 025 new clients compared to 36 555 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 45 837 to 107 287, i.e. by 134,1% y/y.

	PERIOD ENDED							
	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
New clients ¹⁾	38 413	21 178	30 523	21 911	10 424	10 042	9 246	6 843
Average number of active clients ²⁾	58 069	53 309	52 084	45 660	26 582	25 171	23 688	22 245

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

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

The priority of the Management Board is to further increase the client base, leading to strengthen the market position of XTB in the world. These activities will be supported by a number of initiatives, including introduced on 5th October 2020 a new offer for shares and ETFs (Exchange-Traded Funds) "0% commission" for monthly volumes up to EUR 100 000. This offer was received with great enthusiasm by current and new XTB clients. The company aims to be the first choice and comprehensive solution for every investor. Over the past few years, XTB has done a great deal of work – from expanding the offer by around 3 000 financial instruments (from 1 500 to 4 500 currently), to the continuous improvement of the web and mobile version of the award-winning xStation platform. Now with a free offer, XTB has opened the door wide to anyone interested in investing in both real stocks and ETFs. XTB currently allows client to invest in over 2 000 real stocks from 16 of the world's largest stock exchanges, including New York Stock Exchange, London Stock Exchange, Spanish Bolsa de Madrid, German Börse Frankfurt and of course Warsaw Stock Exchange. Besides stocks, XTB offers over 200 ETFs, including commodities, real estate and bonds.

The „0% commission" offer is supported by a marketing and advertising campaign with the participation of the new XTB brand ambassador – one of the best football manager on the world, José Mourinho. The new XTB ambassador is the coach who not only won championships in a record number of countries (Portugal, England, Italy and Spain), but is also one of only three coaches who have won the UEFA Champions League twice with two clubs. The Portuguese will be the XTB's global ambassador for the next two years.



The announcement of José Mourinho collaboration with XTB also marked the launch of the new global marketing campaign "Be like José". Its creative concept is based on the similarities between the challenges faced by investors and trainers on a daily basis. A well-considered strategy, the will to win and the ability to learn from mistakes are the main factors of success in both football and finance.

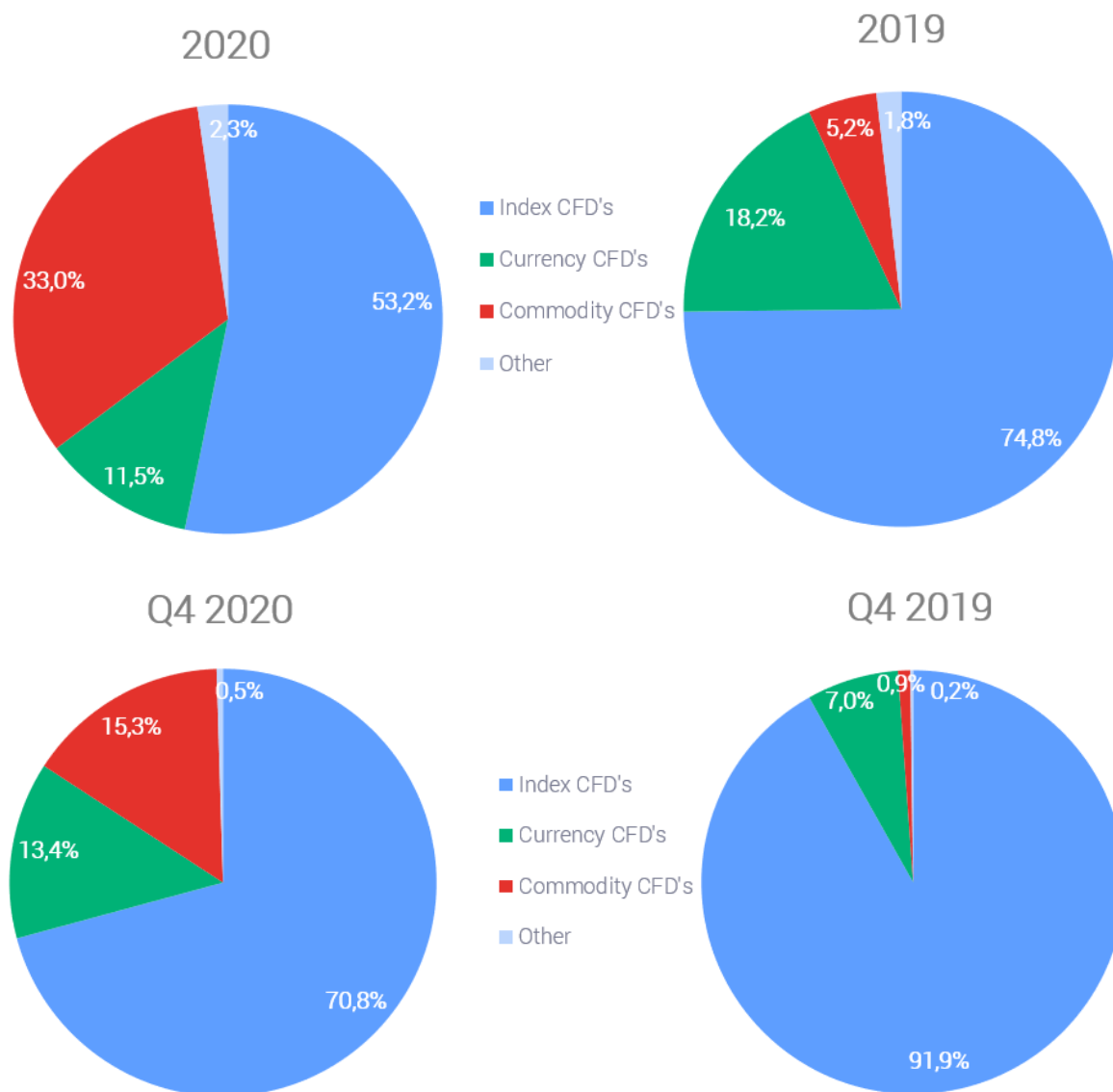
The company expects on the effectiveness of the new offer for shares and ETFs as well as the campaign with José Mourinho. In particular, the ambition of the Management Board is to acquire in 2021 at least 120 thousand new clients, that is an average



30 thousand new clients quarterly. As a result of the implemented actions, in January 2021 the Group acquired 21,8 thousand new clients in total.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on index dominated. Their share in the structure of revenues on financial instruments in 2020 reached 53,2% against 74,8% 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 US indices US100 and US500 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 2020 reached 33,0% (2019: 5,2%). 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 11,5% of all revenues, compared to 18,2% a year earlier.

The structure of revenue by asset class (in %)





(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Index CFDs	99 933	80 584	425 915	175 116
Commodity CFDs	21 640	6 163	263 949	42 624
Currency CFDs	18 901	815	91 951	12 021
Stock CFDs and ETFs	4 562	(56)	13 074	2 313
Bond CFDs	6	(296)	198	771
Total CFDs	145 042	87 210	795 087	232 845
Shares and ETFs	(3 888)	531	4 988	1 199
Gross gain on transactions in financial instruments	141 154	87 741	800 075	234 044
Bonuses and discounts paid to clients	(494)	(150)	(1 580)	(300)
Commission paid to cooperating brokers	(1 731)	286	(5 520)	(638)
Net gain on transaction in financial instruments	138 929	87 877	792 975	233 106

XTB places great importance on the geographical diversification of revenues, consistently implementing the strategy of building a global brand. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 37,0% (2019: 39,9%) and 16,0% (2019: 19,9%). 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		TWELVE-MONTH PERIOD ENDED	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Central and Eastern Europe	88 027	42 379	404 601	121 334
- including Poland	70 226	33 967	295 336	95 390
Western Europe	33 095	31 064	303 177	90 934
- including Spain	13 561	15 208	127 755	47 642
Latin America	19 027	16 128	90 159	27 036
Total operating income	140 149	89 571	797 937	239 304

XTB puts also strong emphasis on diversification of segment revenues. Therefore the Group develops institutional activities under X Open Hub (XOH) brand, under which it provides liquidity and technology to other financial institutions, including brokerage houses. Revenues from this segment are subject to significant fluctuations from 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		TWELVE-MONTH PERIOD ENDED	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Retail segment	135 366	80 145	693 006	218 457
Institutional segment (X Open Hub)	4 783	9 426	104 931	20 847
Total operating income	140 149	89 571	797 937	239 304



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 2020 operating expenses amounted to PLN 281,7 million and were higher by PLN 107,8 million in relation to the same period a year earlier (2019: PLN 173,9 million). The most significant changes occurred in:

- marketing costs, an increase of PLN 50,0 million mainly due to higher expenditures on marketing online campaigns;
- costs of salaries and employee benefits, an increase of PLN 33,0 million mainly due to provisions for variable remuneration components (bonuses) and an increase in employment;
- commission expenses, an increase of PLN 14,2 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 4,8 million as a result of higher expenditures on: (i) IT systems and licenses (an increase of PLN 2,8 million y/y); (ii) IT support services (an increase of PLN 1,0 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED		TWELVE-MONTH PERIOD ENDED	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Salaries and employee benefits	27 996	24 126	119 067	86 024
Marketing	30 803	10 222	87 673	37 716
Other external services	9 166	7 540	29 443	24 638
Costs of maintenance and lease of buildings	844	742	3 788	3 158
Amortization and depreciation	2 106	1 720	7 753	6 753
Taxes and fees	1 483	869	3 901	2 950
Commission expenses	6 545	2 282	22 549	8 329
Other expenses	4 328	(177)	7 485	4 324
Total operating expenses	83 271	47 324	281 659	173 892



In q/q terms, operating costs increased by PLN 23,1 million mainly due to higher by PLN 12,9 million marketing expenditures, higher by PLN 3,9 million expenses and higher by PLN 2,6 costs of salaries and employee benefits.

	THREE-MONTH PERIOD ENDED							
	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
Total operating expenses including: (in PLN'000)	83 271	60 138	65 721	72 529	47 324	42 980	42 490	41 098
- Marketing	30 803	17 870	22 260	16 740	10 222	8 735	9 581	9 178
New clients	38 413	21 178	30 523	21 911	10 424	10 042	9 246	6 843
Average number of active clients	72 346	55 760	58 508	45 660	30 815	28 136	25 131	22 245

Due to the dynamic Group development, the Management Board estimates that in 2021 the total costs of operating activities may be about a dozen percent higher than what we noticed in 2020. The priority of the Management Board is to further increase the client base and build a global brand. As a consequence of the implemented activities marketing expenditures may increase by over 20% compared to the previous year.

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

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

Dividend

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 2020 amounted to PLN 418,7 million.

Taking into account the position of the KNF published on 16 December 2020, regarding the dividend policy in 2021, it is recommended to pay dividends only by brokerage houses that especially:

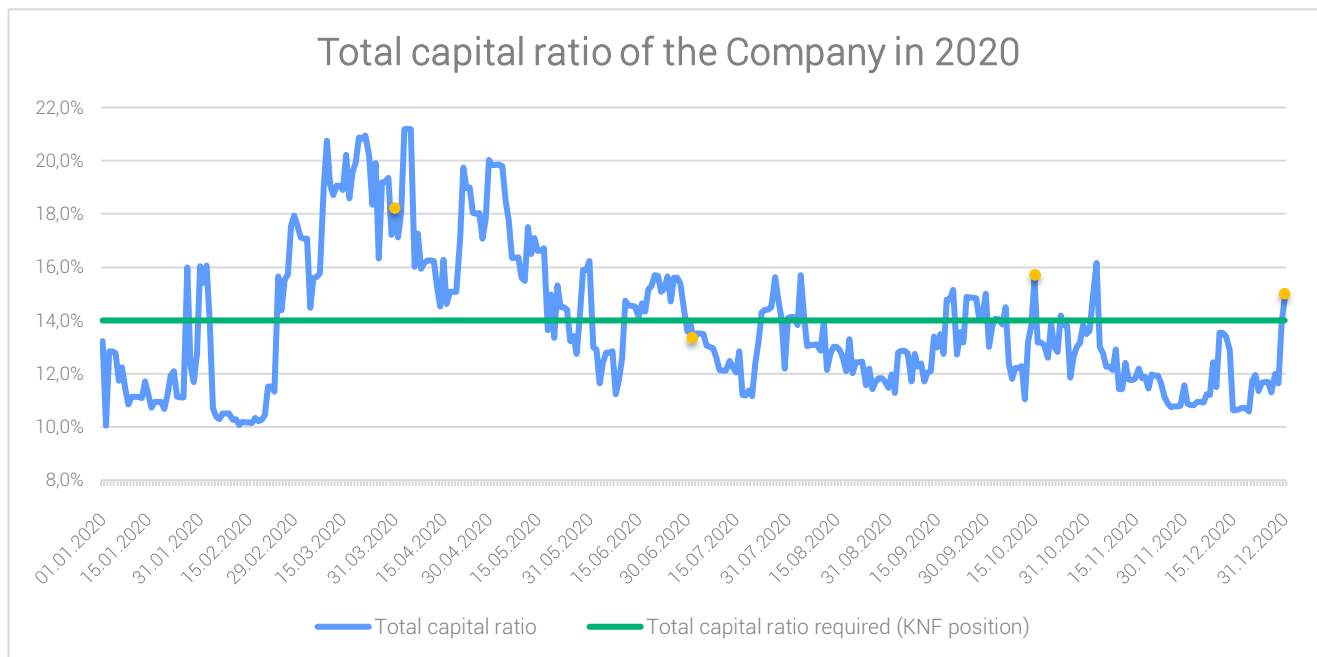
- at the end of each quarter, have a total capital ratio of at least 14% - then it is possible to pay a dividend in the amount not higher than 100% of the net profit for a given year, or
- as at the last calendar day of a given year had a total capital ratio of at least 14% - then it is possible to pay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



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. The values of the capital ratio in the Company at the end of each quarter of 2020 are presented in the table below.

				AS AT
	31.03.2020	30.06.2020	30.09.2020	31.12.2020
	18,0%	13,6%	15,1%	14,8%

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



On December 28 2020, the Company received a supervisory assessment (BION) of 2 [2,46] from the Investment Firms Department of the Polish Financial Supervision Authority. As a consequence, taking into account the total capital ratios achieved by the Company at the end of each quarter of 2020, as well as the received supervisory assessment BION, it is possible in 2021 to pay dividend of up to 75% of the Company's standalone net profit for 2020 in accordance with the recommendations of the Polish Financial Supervision Authority. The Management Board plans to present its recommendations regarding profit distribution (dividend level) in March this year after the publication of the annual report.

Cash and cash equivalents

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 and bonds guaranteed by the State Treasury). As at 31.12.2020 the total amount of own cash and treasury bonds in the Group amounted to PLN 940,8 million, that includes PLN 542,2 million of own cash and PLN 398,6 million of treasury bonds.

Foreign expansion

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 group results on this action.

Currently, the Management Board efforts are focused on the start of operational activities in a chosen Asian country, i.e. United Arab Emirates and Republic of South Africa. At the end of November 2020 XTB received the preliminary approval of the DFSA regulator to conduct brokerage activities in United Arab Emirates. It is an approval of the „in principal" type, that requires the fulfillment of conditions (mainly operational type) before the actual start of operations. One of the condition was the establishment of the company XTB MENA Limited in DIFC (Dubai International Financial Centre) which took place on 9 January 2021. The process is currently underway over the fulfilment of other conditions. The intention of the Management Board is to start operating activities in United Arab Emirates in the first half of 2021. In terms of Republic of South Africa, due to the complex local formal and legal conditions, the Management Board is currently not able to indicate the expected date of the start of operations on this market. Subsidiary XTB Africa (PTY) has been in the licensing process since February 2019.

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