



**Report concerning the activity of the X-Trade Brokers DM S.A.'s ("Company", "XTB")
Supervisory Board in 2020**

I. Composition of the Supervisory Board and its Committees

1. Between 1 January 2020 and 31 December 2020 the Supervisory Board proceeded in the following composition:

- a) Mr. Jakub Leonkiewicz – Chairman of the Supervisory Board;
- b) Mr. Grzegorz Grabowicz – Member of the Supervisory Board;
- c) Mr. Łukasz Baszczyński – Member of the Supervisory Board;
- d) Mr. Bartosz Zabłocki – Member of the Supervisory Board;
- e) Mr. Jarosław Jasik – Member of the Supervisory Board.

2. Between 1 January 2020 and 31 December 2020 the Compensation Committee proceeded in the following composition:

- a) Mr. Jakub Leonkiewicz – Chairman of the Compensation Committee;
- b) Mr. Grzegorz Grabowicz – Member of the Compensation Committee;
- c) Mr. Łukasz Baszczyński – Member of the Compensation Committee;
- d) Mr. Bartosz Zabłocki – Member of the Compensation Committee;
- e) Mr. Jarosław Jasik – Member of the Compensation Committee.

3. Between 1 January 2020 and 31 December 2020 the Nomination Committee proceeded in the following composition:

- a) Mr. Jakub Leonkiewicz – Chairman of the Nomination Committee;
- b) Mr. Grzegorz Grabowicz – Member of the Nomination Committee;
- c) Mr. Łukasz Baszczyński – Member of the Nomination Committee;
- d) Mr. Bartosz Zabłocki – Member of the Nomination Committee;
- e) Mr. Jarosław Jasik – Member of the Nomination Committee.

4. Between 1 January 2020 and 31 December 2020 the Risk Management Committee proceeded in the following composition:

- a) Mr. Jakub Leonkiewicz – Chairman of the Risk Management Committee;
- b) Mr. Grzegorz Grabowicz – Member of the Risk Management Committee;
- c) Mr. Łukasz Baszczyński – Member of the Risk Management Committee;
- d) Mr. Bartosz Zabłocki – Member of the Risk Management Committee;
- e) Mr. Jarosław Jasik – Member of the Risk Management Committee.

5. Between 1 January 2020 and 31 December 2020 the Audit Committee proceeded in the following composition:

- a) Mr. Grzegorz Grabowicz – Chairman of the Audit Committee;

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- b) Mr. Jakub Leonkiewicz – Member of the Audit Committee;
- c) Mr. Łukasz Baszczyński – Member of the Audit Committee;
- d) Mr. Bartosz Zabłocki – Member of the Audit Committee;
- e) Mr. Jarosław Jasik – Member of the Audit Committee.

II. Supervisory Board Committees

As part of the Supervisory Board operates the Compensation Committee, the Nomination Committee and the Risk Management Committee, which tasks are performed in a collective manner by the Supervisory Board pursuant to the resolution of the General Meeting.

Moreover, the Company has appointed the Audit Committee which operates as a separate committee.

III. Members of the Supervisory Board fulfilling the criteria of independence

Pursuant to the Articles of Association, from the Date of First Listing, at least one member of the Supervisory Board should the criteria of independence specified in § 20 section 2 of the Articles of Association (the “**Independent Member**”). If in any term of office, there are at least 7 (seven) members of the Supervisory Board, at least two of them should be Independent Members, and in the case of the Supervisory Board composed of 9 (nine) members, at least three of them should be Independent Members.

Pursuant to the Articles of Association, as long as the company is an entity of public interest, within the meaning of the Act on Auditors, at least one member of the Supervisory Board should meet the criteria of independence as defined in article 86 item 5 of the Act on Auditors and should be qualified in the field of accountancy or financial auditing. In connection with revocation of the Act on Auditors by virtue of the act of May 11, 2017 on statutory audits, audit firms and on public oversight (“Act on audits”) members of the Supervisory Board performed a review of fulfilment of the criteria of independence within the meaning of article 129 item 3 of the act of 11 May 2017 on statutory audits, audit firms and on public oversight.

The Supervisory Board performed the assessment of relationships and circumstances that may affect the fulfilment of the criteria of independence by the above-mentioned Members of the Supervisory Board.

In 2020 Łukasz Baszczyński, Grzegorz Grabowicz and Jakub Leonkiewicz fulfilled the criteria of independence pursuant to § 20 item 2 of the Articles of Association.

In 2020 Łukasz Baszczyński, Grzegorz Grabowicz and Jakub Leonkiewicz fulfilled the criteria of independence pursuant to article 129 item 3 of the Act on audits.

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Pursuant to submitted declarations, Jarosław Jasik, Grzegorz Grabowicz and Jakub Leonkiewicz possess experience in the field of accountancy or financial auditing.

6. Primary Responsibilities of the Supervisory Board

The Supervisory Board exercised in 2020, pursuant to generally applicable law, including the Act of 15 September 2000 The Commercial Companies Code and Regulations of the Supervisory Board, supervisory and audit duties, in particular:

- a) evaluation and review of the financial statements for the last financial year and evaluation of the report of the Management Board on the activities of the Company and Group for the last financial year, in terms of their compliance with accounting books and documents, as well as actual state of affairs and review of the distribution of profits or covering the losses proposed by the Management Board;
- b) submitting to the General Meeting the annual written report on the results of the review and evaluation referred to in point a);
- c) determining conditions of remuneration and employment of members of the Management Board;
- d) approving annual budgets, including the budget of the Company, the budgets of the Subsidiaries, and the consolidated budget of the capital group of the Company;
- e) appointing an independent auditor for the Company and the Subsidiaries;
- f) performing tasks of the Compensation Committee, including:
 - expressing opinion on the variable remuneration components policy, including the amount of remuneration and the components of remuneration;
 - expressing opinion on performing the variable remuneration components policy;
 - expressing opinion on and monitoring of payment of the remuneration variable components to the persons holding managerial positions responsible for risk management, internal audit and compliance of the brokerage house's activity with law;
 - determining list of the persons holding managerial positions in the Company, and;
 - approving the amount of remuneration and the components of remunerations of the persons holding managerial positions.
- g) performing tasks of the Risk Management Committee, including:
 - preparing a draft document regarding the risk appetite of a brokerage house;
 - giving opinions on the strategy of a brokerage house developed by the Management Board in the scope of risk management;
 - supporting the Supervisory Board in overseeing the implementation of the strategy of the brokerage house in the scope of risk management by the management board;
 - verification of the remuneration policy and the rules of its implementation in terms of adjustment of the remuneration system to the risk to which the brokerage house is exposed, its capital, liquidity and probability and dates of obtaining income;

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- h) granting consent to the appointment and dismissal of persons in charge of the internal audit and compliance departments of the Company;
- i) review and expressing opinion on matters to be discussed and put to a vote at the General Meeting;
- j) other legal and formal issues related to activity of the Supervisory Board.

IV. Actions taken by the Supervisory Board

The activities undertaken by the Supervisory Board were aimed at improvement of the Company's prudent and stable management, both in the financial area and its activity in compliance with applicable laws and decisions, recommendations and guidelines issued by the relevant supervisory authorities. The Supervisory Board's actions and analysis were designed to maximize its financial performance, increase its value, provide long-term growth and stability in the marketplace, and provide an effective internal risk monitoring system and possible prevention of these risks.

In 2020 the Supervisory Board held seven meetings on:

1. 6 March 2020;
2. 19 March 2020;
3. 24 April 2020;
4. 9 June 2020;
5. 17 August 2020;
6. 14 October 2020;
7. 22 December 2020.

According to the Regulations of the Supervisory Board during the calendar year at least four meetings of the Supervisory Board should be held, thus the Supervisory Board in 2020 held the meeting in accordance with the Company's internal regulations in force.

In 2020, 45 resolutions were adopted during the meetings of the Supervisory Board and by way of the circulation procedure. Most important of the adopted resolutions concerned:

1. Recommending to the General Meeting the adoption of the Remuneration Policy for Members of the Management Board and Members of the Supervisory Board;
2. Assessment of the activities of the Management Board of the Company and its individual Members in 2019 and recommendation for the General Meeting of Shareholders of the Company on granting a vote of approval to the Management Board;
3. Providing opinion on the Management Board's recommendation on the distribution of the profit for 2019;
4. Recommend to the General Meeting of Shareholders to adopt the amended Policy on verification and selection of members of the Management Board and Supervisory Board as well as Key Employees;

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5. Getting acquainted with the semi-annual Reports on the functioning of the compliance system for the second half of 2019 and the first half of 2020 and hearing information from the Compliance Officer;
6. Getting acquainted with the semi-annual Reports on the functioning of the risk management system for the second half of 2019 and the first half of 2020 and hearing the Director for Risk Management;
7. Consents to the creation of a foundation under the name of the XTB Foundation and the allocation of funds in the amount of PLN 100,000 PLN for the founding fund;
8. Assessment of transactions with related entities;
9. Expressing consent to the establishment and taking up by the Company of shares in the share capital of a subsidiary based in Ebene in the Republic of Mauritius;
10. Adoption of the Report on the Review and Assessment of the Remuneration Policy.

At the same time, the following issues were discussed at the selected Supervisory Board meetings:

- financial results achieved by the Company, in particular as regard to the Company's liquidity, level of supervised capitals, internal capital and capital adequacy ratio;
- information about the Company's financial results (per each country) in relation to the adopted budget;
- information on the Functioning of Information Technology and ICT Environment in the Company.

V. Assessment of the Management Board's report concerning the activity of the Group and the Company in 2020, financial statements for 2020 and the Management Board's proposal concerning the distribution of profit for 2020

The Supervisory Board presents the report on the results of evaluation of the following reports and conclusions of the Company for the financial year 2020:

1. Separate and consolidated financial statements of XTB for 2020

After reviewing the opinion and the auditor's report on the course and results of the audit of the Company's financial statements for 2020, the Supervisory Board agrees with the opinion of the auditor and states that the Company's financial statements for the financial year 2020 were prepared on the basis of the properly conducted accounting books, are in compliance (in form and content) with the applicable provisions of law and provide all the information relevant for the assessment of profitability and financial result in the audited period as well as the financial standing of the Company and the Group. In view of the above the Supervisory Board requests the General Meeting to approve the separate and consolidated financial statements of XTB for the financial year 2020.

2. Management Board's report concerning the activity of the Group and the Company in 2020

After the analysis and evaluation of the Management Board's report concerning the activity of the Group and the Company in 2020, the Supervisory Board states that it is in compliance with the books and documents of the Company. As a result, the Supervisory Board adopts the report and requests the General Meeting to approve it.

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At the same time, after getting acquainted with the Management Board's report concerning the activity of the Company and Group in the year 2020, the Supervisory Board requests the General Meeting to grant the vote of approval to the President of the Management Board - Mr. Omar Arnaout and the following members of the Management Board - Mr. Paweł Szejko, Mr. Filip Kaczmarzyk, Mr. Jakub Kubacki and Mr. Andrzej Przybylski for performance of their duties in the financial year 2020.

3. Assessment of the Management Board's proposal concerning the distribution of the Company's profit for 2020

After reviewing the separate and consolidated financial statements of X-Trade Brokers Dom Maklerski S.A. and the Management Board's proposal concerning the distribution of profit for 2020, as well as based on the discussion about the impact of the profit distribution proposed by the Management Board, the Supervisory Board approved the recommendation of the Management Board of 11 March 2021 and adopted a resolution on payment of the dividend from the profit gained in 2020 which amounted to PLN 418,175,946.31, in the amount of PLN 210,116,706.65, i.e. PLN 1,79 per one share, and to keep a profit of PLN 208,059,239.66 at the disposal of the Company, i.e. to transfer the indicated part to the Company's reserve capital. At the same time the Supervisory Board endorsed to the recommendation of the Management Board regarding set to dividend day on 21 April 2021 and the day of payment of the dividend on 30 April 2021. The recommendation of the Management Board is consistent with the Company's dividend policy.

VI. Assessment of the Company's situation, including assessment of the effectiveness of the operation of the following systems: risk management, compliance, internal control and internal audit

In 2020, XTB reported PLN 402 087 thousand of consolidated net profit compared to PLN 57 701 thousand profit a year earlier. Operating profit (EBIT) amounted to PLN 515 746 thousand to PLN 65 412 thousand a year earlier. Consolidated revenues amounted to PLN 797 750 thousand to PLN 239 304 thousand a year earlier. Total operating expenses amounted to PLN 282 004 thousand (in 2019: PLN 173 892 thousand).

In 2020 the retail business segment generated approximately 87% of the total volume of the Group's turnover and the institutional business segment – approximately 13%.

In 2020 XTB noted a record increase of revenues by 233,4% y/y i.e. PLN 558 446 thousand from PLN 239 304 thousand to PLN 797 750 thousand. 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 increased by 67,7% y/y i.e. from PLN 149,8 in 2019 to PLN 251,2 in 2020.

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In 2020 operating expenses amounted to PLN 282,0 million and were higher by PLN 108,1 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 33,1 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 2,6 million y/y); (ii) IT support services (an increase of PLN 1,0 million y/y)

The Supervisory Board properly assesses the Group's situation and emphasizes that the activities are conducted adequately and effectively, and the achieved financial results place the Group at a satisfactory level.

According to the requirement specified in § 10 pt. a) of the Regulations of the Supervisory Board of X-Trade Brokers Dom Maklerski S.A. of 26 April 2016 and the Warsaw Stock Exchange (GPW) Best Practices, we present below an assessment of the effectiveness of the operation of the following systems and functions: risk management, compliance, internal control and internal audit.

1. Risk management system

The Supervisory Board is constantly monitoring the various types of risk, approving internal procedures related to the operation of the risk management system, and regularly gets acquainted with periodic reports of the Risk Management System submitted by the Head of Risk Management, who is also the Member of the Management Board regarding Risk Management system. So far, the reports that have been obtained allow us to claim that the risk management system works effectively. Also the current cooperation with the Head of Risk Management makes it possible to accurately assess the functioning of the Risk Control Department and, consequently, the Risk Management System model adopted in the Company. Therefore, the Supervisory Board assess the functioning of the risk management system in the Company as adequate and effective.

2. Compliance system

The compliance system in the Company is the responsibility of the Legal Compliance Supervision Team, which is established under the Legal and Compliance Department and directly subordinated to the Member of the Management Board for Legal Affairs, headed by the Compliance Officer. The Supervisory Board regularly receives reports on the Compliance System and approves changes to the internal procedures governing the operation of the compliance department in the Company. Therefore, the Supervisory Board assess the functioning of the compliance system in the Company as adequate and effective.

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3. Internal control system

The Internal Control Team, which is a separate entity within the Legal and Compliance Department, is responsible for proper functioning of the Company's internal control system.

Based on the received reports, the Supervisory Board assess the functioning of the internal control system in the Company as adequate and effective.

4. Internal audit system

The internal audit is performed by the Internal Audit Department, which was until 15 January 2020 was organisationally subordinated to the Member of the Management Board for Legal Affairs and starting from 15 January 2020 is organisationally subordinated to the President of the Management Board and is subordinated functionally to the Supervisory Board. The Internal Auditor is responsible for the functioning of the Department. The Supervisory Board constantly supervises the internal audit issues, approves the Audit Plan and the Audit Program, and regularly receives the Internal Audit System reports. Therefore, the Supervisory Board assess the functioning of the internal audit system in the Company as adequate and effective.

VII. Assessment of the Company's compliance with information obligations concerning the application of the corporate governance rules specified in The Warsaw Stock Exchange Rules and regulations concerning current and periodic information provided by issuers of securities

Considering the Company's obligation to comply with the information duties regarding the application of corporate governance rules under The Warsaw Stock Exchange Rules and the Regulation of the Minister of Finance of 29 February 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2018, item 757),, the Supervisory Board submits to the General Meeting the Company's assessment of compliance with the obligation described herein.

According to point I.Z.1.13. of the "Best Practice for GPW Listed Companies 2016" the Company presents on its website a statement on the Company's compliance with the corporate governance recommendations and principles contained therein. The information identifies the reasons why the Company does not apply individual recommendations and addresses those that do not apply.

The recommendation contained in point IV.R.2. does not apply. According to this recommendation if justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;

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

The Company does not apply in a permanent manner of this recommendation because it identifies threats to the proper conduct of the General Meeting, especially legal risks, which in the opinion of the Company would exceed the potential benefits. Slight dissemination of practice of conducting the general meetings by means of electronic communication and inadequate preparation of the market may lead to increased risk of organizational and technical problems that might disrupt the proper running of the general meeting, as well as the risk of a possible undermining of the adopted resolutions of the general meeting, in particular due to technical defects. For the same reasons, the Company does not apply the rule I.Z.1.20 - an audio or video recording of a general meeting and IV.Z.2. according to which, if justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

Apart from the above exceptions, the Supervisory Board does not find violations of the "Best Practice for GPW Listed Companies 2016". Consequently, it correctly assesses the manner how the Company fulfills its information duties regarding the application of corporate governance rules.

VIII. Assessment of the rationality of the Company's sponsorship policy

In 2020, the Company did not carry out any significant sponsorship and charity activities.

IX. Self-assessment of the Supervisory Board's operation

In 2020, the Company's Supervisory Board held seven meetings where the current activities of the Management Board and the Company's financial activity were assessed.

All convened meetings of the Supervisory Board were held in the composition enabling adoption of valid resolutions. During the meetings the Supervisory Board considered issues arising from the provisions of the Commercial Companies Code, other provisions of the applicable law as well as from the needs of the Company's current operation.

During the discussed period, the Supervisory Board remained in regular contact with the Management Board, analysing and consulting important aspects of the Company's activity, as well as evaluating the Company's situation on an ongoing basis. Moreover, the Supervisory Board stayed in constant contact with the Company's Internal Auditor, as well as exchanged and had ongoing access to the information obtained from the Company's auditor, i.e. PricewaterhouseCoopers spółka z ograniczoną odpowiedzialnością Audyt sp.k.

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The Supervisory Board confirms that the cooperation with the Company's Management Board was correct. In addition, the Management Board has provided technical and organizational resources to enable the Supervisory Board to perform its duties correctly, has performed its reporting obligations, and information were submitted in a fair and complete manner.

In view of the above, the Supervisory Board believes that in 2020 it performed its duties in a correct manner.

on behalf of the Supervisory Board
Jakub Leonkiewicz
President of the Supervisory Board

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