



X-TRADE BROKERS DOM MAKLESKI 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. 12/2021

Warsaw, 28 July 2021

Preliminary financial and operating results for the I half 2021

The Management Board of the X-Trade Brokers Dom Maklerski S.A (the „Issuer”, “Company”, “XTB”) hereby announces that on 28 July 2021 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 2021 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 2021 will be submitted in the extended consolidated report of the Issuer’s Group for the I half of 2021, publication of which was planned for 20 August 2021.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report

No. 12/2021 dated 28 July 2021

Preliminary financial and operating results
for the I half of 2021



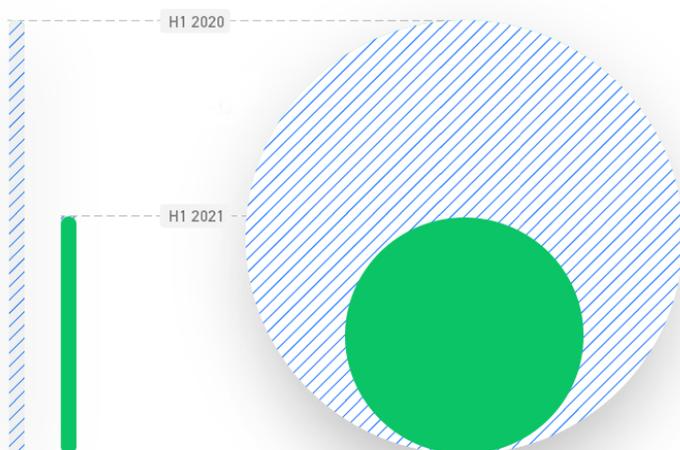
XTB KEY PERFORMANCE INDICATORS H1 2021



NET PROFIT

65,2 MM
PLN

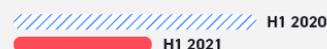
▼ - 77,8% y/y



OPERATING INCOME

241,9 MM
PLN

▼ - 53,3% y/y



EBIT

77,9 MM
PLN

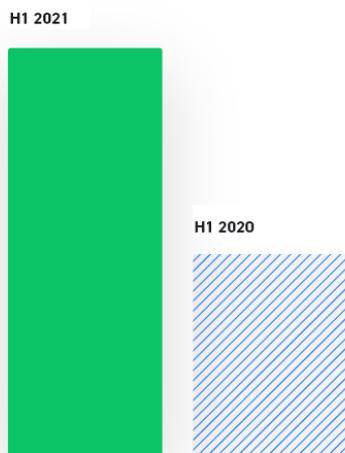
▼ - 79,5% y/y



AVERAGE NUMBER OF ACTIVE CLIENTS

105 005

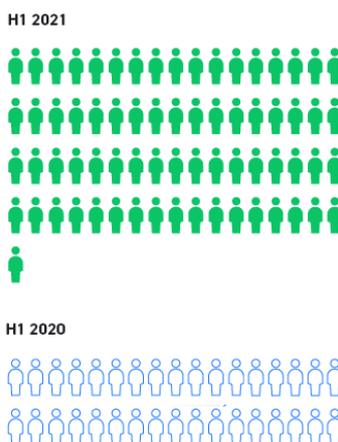
▲ +101,6% y/y



NEW CLIENTS

107 854

▲ +105,7% y/y



CFD PROFITABILITY PER LOT

122 PLN

▼ - 62,1% y/y



CFD VOLUME

1 986 689

▲ +23,1% y/y





Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2021	31.03.2021	30.06.2021	30.06.2020
Total operating income	55 153	186 697	241 850	518 158
Total operating expenses	(77 087)	(86 902)	(163 989)	(138 250)
Profit (loss) on operating activities (EBIT)	(21 934)	99 795	77 861	379 908
Finance income	(7 627)	8 278	651	3 065
Finance costs	(1 236)	(114)	(1 350)	(20 757)
Profit (loss) before tax	(30 797)	107 959	77 162	362 216
Income tax	6 902	(18 908)	(12 006)	(68 757)
Net profit (loss)	(23 895)	89 051	65 156	293 459

(in PLN'000)				AS AT
	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Own cash	621 789	642 831	542 205	681 342
Own cash + bonds	767 988	1 046 983	940 821	812 725
Equity	741 763	977 662	888 305	778 045

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2021	31.03.2021	30.06.2021	30.06.2020
New clients ¹	40 623	67 231	107 854	52 434
Clients in total	352 946	316 658	352 946	199 365
Number of active clients ²	106 563	103 446	133 415	69 423
Average number of active clients ³	106 563	103 446	105 005	52 084
Net deposits (in PLN'000) ⁴	650 675	951 295	1 601 970	1 045 185
Average operating income per active client (in PLN'000) ⁵	0,5	1,8	2,3	9,9
Transaction volume in CFD instruments in lots ⁶	871 300	1 115 389	1 986 689	1 613 857
Profitability per lot (in PLN) ⁷	63	167	122	321
Transaction volume in CFD instruments in nominal value (in USD'000000)	366 257	386 347	752 604	454 692
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ⁸	40	127	85	283
Turnover of shares in nominal value (in USD'000000)	1 037	1 417	2 454	520

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.

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



Management Board's commentary on the preliminary results

In the first half of 2021 XTB reported a consolidated net profit of PLN 65,2 million compared to PLN 293,5 million a year earlier. Consolidated revenue amounted to PLN 241,9 million (H1 2020: PLN 518,2 million) and operating expenses amounted to PLN 164,0 million (H1 2020: PLN 138,3 million). In this period the Group noted a record number of new clients i.e. 108k compared to 52k a year earlier (an increase of 105,7% y/y).

Revenues

In the first half of 2021, the Group's revenues decreased by 53,3% y/y, from PLN 518,2 million to PLN 241,9 million. This was due to the lower profitability per lot by PLN 199, which amounted to PLN 122 (H1 2020: PLN 321). This decrease is mainly due to: (i) low volatility in the financial and commodity markets in the second quarter of 2021 and (ii) the high base effect from the first half of 2020, when the markets experienced above-average volatility caused, among others, by the global COVID-19 pandemic.

After a good first quarter of 2021, when the Group generated PLN 186,7 million in operating revenues, the second quarter (April and May) brought low volatility on the financial and commodity markets, which translated into a decline in revenues and profitability per lot. Along with lower volatility, the transaction activity of clients also decreased. There was a more predictable trend with the market moving within a limited price range. This led to market trends that were more likely to be predicted than in the case of greater market volatility, which created favorable conditions for range trading. In this case, XTB recorded a greater number of transactions at a loss, which led to a decrease in XTB's market making result. As a consequence, the profitability per lot amounted to PLN 63 and reached the lowest level in the last 5 years. Since XTB's presence on the WSE, a lower level was recorded only in the second quarter of 2016 - PLN 59, which only confirms the exceptional nature of the last quarter.

	THREE-MONTH PERIOD ENDED							
	30.06.2021	31.03.2021	30.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Total operating income (in PLN'000)	55 153	186 697	139 962	139 630	211 494	306 664	89 571	60 952
Transaction volume in CFD instruments in lots ¹	871 300	1 115 389	800 935	760 373	829 017	784 840	394 146	423 333
Profitability per lot (in PLN) ²	63	167	175	184	255	391	227	144
Transaction volume in CFD instruments in nominal value (in USD'000000)	366 257	386 347	292 000	275 144	206 037	248 655	132 376	140 168
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ³	40	127	126	135	253	309	176	110

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.

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



From the point of view of the conditions in the financial markets in the first half of this year it is worth noting that this was the period in which the upward trend in the cryptocurrency market continued until mid-May. This market is characterized by the fact that clients investing in CFDs on cryptocurrencies are willing to hold their open positions much longer and not close profits in a short time, as in the case with other instruments. Such market characteristics had a negative impact on the Group's revenues (PLN 46,6 million loss on CFDs on cryptocurrencies in the first half of 2021). As a consequence, in mid-May this year XTB has decided to change the business model for CFD instruments based on cryptocurrencies, i.e. fully securing the market position on cryptocurrencies. Currently, the entire open position of the Company on these instruments is covered in hedging transactions with liquidity providers. The company plans to maintain this model indefinitely. The negative result from CFDs on cryptocurrencies can be attributed to the period when the market making model was still used, and the cryptocurrency markets continued to grow dynamically. When there is a correction in these markets in the second half of May, the market position of XTB was almost completely reduced.

(in PLN'000)	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2021	31.03.2021	30.06.2021	30.06.2020
Commodity CFDs	52 764	101 483	154 247	210 043
Index CFDs	26 495	75 127	101 622	252 818
Currency CFDs, including:	(24 364)	5 031	(19 333)	44 743
- <i>Cryptocurrency CFDs</i>	(30 417)	(16 176)	(46 593)	4 004
Stock CFDs and ETFs	3 573	6 649	10 222	4 400
Bond CFDs	(1)	78	77	138
Total CFDs	58 467	188 368	246 835	512 142
Shares and ETFs	(1 606)	139	(1 467)	5 998
Gross gain on transactions in financial instruments	56 861	188 507	245 368	518 140
Bonuses and discounts paid to clients	(451)	(651)	(1 102)	(459)
Commission paid to cooperating brokers	(2 633)	(2 460)	(5 093)	(2 283)
Net gain on transactions in financial instruments	53 777	185 396	239 173	515 398

Looking at the stock and index markets in the second quarter of this year, it should be noted that they were characterized by much lower volatility than in the previous quarter. The DAX index in April and May unsuccessfully tried to break above the record levels, which was only achieved at the beginning of June. Additionally, the entire range of movement of this instrument in the second quarter closed to around 800 points. Price changes were much more pronounced in the case of instruments based on US indices, which translated into an increase in revenues in this group q/q, but to a much lesser extent than a decrease in revenues on the DE30 instrument.

The group also reported a decrease in revenues on CFD instruments based on oil and precious metals. During the period, these instruments recorded upward trends, but it was largely due to long positions concluded by XTB clients. Additionally, in the case of oil-based instruments, the extent of price movement was lower than in the previous quarter.



REVENUE BY ASSET CLASS (IN MM PLN)



XTB has a solid foundation in the form of constantly growing client base and the number of active clients. In the H1 of 2021 the Group reported a new record in the number of new clients amounting to 107 854 compared to 52 434 a year earlier i.e. an increase by 105,7%. This is the effect of continuing the optimized sales and marketing strategy, bigger penetration of already existing markets, successive introduction of new products to the offer and expansion into new geographic markets. Similarly to the number of new clients, the number of active clients was also record high. The number of active clients increased from 52 084 to 105 005, i.e. by 101,6% y/y.

	PERIOD ENDED							
	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
New clients ¹	40 623	67 231	38 413	21 178	30 523	21 911	10 424	10 042
Average number of active clients ²	105 005	103 446	58 069	53 309	52 084	45 660	26 582	25 171

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

²⁾ The average quarterly number of clients respectively for 6 and 3 months of 2021 and 12, 9, 6 and 3 months of 2020 and 12, 9 months of 2019.

The increase in the number of active clients translates into an increase in the volume of their turnover, measured both by the number of contracts concluded in lots and the nominal value of the turnover. As a consequence, trading in derivative instruments amounted to PLN 1 986,7k lots (H1 2020: 1 613,9k lots) and was higher by 372,8k lots y/y.

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 3,8k financial instruments (from 1 500 to 5 300 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 clients to invest in over 2 900 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 270 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 managers in 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 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 the first 25 days of July the Group acquired 10,0k new clients in total.

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		SIX-MONTH PERIOD ENDED	
	30.06.2021	31.03.2021	30.06.2021	30.06.2020
Retail segment	51 530	176 396	227 926	428 557
Institutional segment (X Open Hub)	3 623	10 301	13 924	89 601
Total operating income	55 153	186 697	241 850	518 158

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 at such times it achieves the highest revenues. Therefore, high activity of financial and commodities markets 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 for the Group's business model.

Expenses

In the H1 of 2021 operating expenses amounted to PLN 164,0 million and were higher by PLN 25,7 million in relation to the same period a year earlier (H1 2020: PLN 138,3 million). The most significant changes occurred in:

- marketing costs, an increase of PLN 19,1 million mainly due to higher expenditures on marketing online campaigns;
- commission expenses, an increase of PLN 7,3 million as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- other external services, an increase by PLN 5,7 million as a result of mainly higher expenditure on: (i) IT systems and licenses (increase by PLN 2,5 million y/y); (ii) legal and advisory services (increase by PLN 1,2 million y/y) and (iii) IT support services (increase by PLN 0,7 million y/y);
- costs of salaries and employee benefits, a decrease of PLN 6,3 million mainly due to lower provisions established for variable components of remuneration (bonuses) and an increase in employment;

(in PLN'000)	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	30.06.2021	31.03.2021	30.06.2021	30.06.2020
Salaries and employee benefits	28 500	30 892	59 392	65 686
Marketing	25 078	33 050	58 128	39 000
Other external services	10 198	8 728	18 926	13 232
Costs of maintenance and lease of buildings	1 086	803	1 889	1 901
Amortization	2 361	1 952	4 313	3 815
Taxes and fees	1 181	1 282	2 463	1 392
Commission expenses	8 080	9 711	17 791	10 524
Other expenses	603	484	1 087	2 700
Total operating expenses	77 087	86 902	163 989	138 250



In q/q terms, operating costs decreased by PLN 9,8 million, mainly due to lower marketing expenditure by PLN 8,0 million and lower costs of salaries and employee benefits by PLN 2,4 million, mainly due to the release of provisions for variable components salaries (bonuses) and commission costs lower by PLN 1,6 million, resulting from lower amounts paid to payment service providers through which clients deposit their funds in transaction accounts, and higher costs of other external services by PLN 1,5 million.

	THREE-MONTH PERIOD ENDED							
	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Total operating expenses including: (in PLN'000)	77 087	86 902	83 616	60 138	65 721	72 529	47 324	42 980
- Marketing	25 078	33 050	30 861	17 870	22 260	16 740	10 222	8 735
New clients	40 623	67 231	38 413	21 178	30 523	21 911	10 424	10 042
Average number of active clients	106 563	103 446	72 346	55 760	58 508	45 660	30 815	28 136

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 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.

For example, the Polish Financial Supervision Authority, in its last Statement on dividend policy in 2021, published on December 16, 2020, recommended that the dividend in 2021 should be paid only by brokerage houses that have met, among others, the following criteria:

- A. Dividend in the amount not exceeding 75% of the net profit for 2020:
 - I. for entities subject to capital adequacy standards pursuant to Regulation (EU) No 575/2013 of the European Parliament and the Council of the European Union of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No 648/2012 (EU Official Journal of the EU L 176 of June 27, 2013, hereinafter referred to as: "Regulation 575/2013") as of December 31, 2020:



- Common Equity Tier I ratio was at least 6%;
 - Tier I capital ratio was at least 9%;
 - the total capital ratio is at least 14%;
- II. for entities not subject to capital adequacy standards pursuant to Regulation 575/2013 as at 31 December 2020, the ratio being the share of equity in total assets is at least 50%;
- III. the last supervisory grade assigned in the BION process is 1 or 2;
- IV. the entity in 2020 and until the date of approval of the financial report and adoption of the resolution on the distribution of profit for 2020 did not violate the provisions on capital requirements contained in Regulation 575/2013 and the Law of July 29, 2005 on trading in financial instruments (OJ, 2020, item 89) and the provisions on limits on large exposures, excluding breaches of limits relating to clients' funds.
- B. Dividend in the amount not exceeding 100% of the net profit for 2020:
- I. meets all the criteria listed in A;
- II. for entities subject to capital adequacy standards in accordance with Regulation 575/2013, the criteria referred to in point (a) And points I are met at the end of each quarter in 2020;
- III. for entities not subject to capital adequacy standards in accordance with Regulation 575/2013, the criterion referred to in point (a) A point II is met at the end of each quarter in 2020.

On June 28, 2021, the Company received a supervisory grade (BION) of 2 [2,46] from the Polish Financial Supervision Authority. The assessment was given on December 31, 2020. Published by the Polish Financial Supervision Authority on May 22, 2018. Announcement on the position regarding the dividend policy in the medium-term, aimed at facilitating financial market entities supervised by the Polish Financial Supervision Authority in terms of financial planning related to the payment of dividends in the average indicates that the current supervisory assessment for XTB is in line with the criteria recommended by the Polish Financial Supervision Authority, which should allow the Company to potentially pay dividends for the current financial year in accordance with these criteria.

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

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



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



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



The total capital ratio informs about the ratio of own funds to risk-weighted assets, in other words, it shows whether the brokerage house is able to cover the minimum capital requirement for market, credit, operational and other risks with its own funds. At the end of the first half of this year. the total capital ratio in the Company was 132,1% (the equivalent under the CRR Regulation 10,6%).

It should be remembered that every year the PFSA publishes updated Positions on dividend policy applicable to brokerage houses when paying dividends for a given year. If the PFSA uses a simple scaling of the ratios in the future, the level of equity and capital requirements above which XTB could pay a dividend could be 175%. It should be noted, however, that the



Commission may set the appropriate levels in a completely different way, taking into account the ongoing supervision over brokerage houses. If the criteria are left unchanged in future positions, the position of the PFSA will apply, stating that for entities not subject to capital adequacy standards in accordance with Regulation 575/2013 (CRR Regulation), the ratio being the share of equity in total assets as at 31 December of the previous year was at least 50%.

The Management Board maintains that its intention is to recommend to the General Meeting in the future to adopt resolutions on the payment of dividends, taking into account the factors indicated above, in the amount ranging from 50% to 100% of the Company's standalone net profit for a given financial year. The unit net profit for the first half of 2021 amounted to PLN 62,1 million.

Cash and cash equivalents

In an environment of low interest rates, which discourages the maintenance of 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 30.06.2021 the total amount of own cash and treasury bonds in the Group amounted to PLN 768,0 million, that includes PLN 621,8 million of own cash and PLN 146,2 million of treasury bonds.

OWN CASH AS AT



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 may 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 efforts of the Management Board are focused on expansion into the Middle East and Africa markets.

At the end of November 2020, XTB received the preliminary approval of the DFSA (Dubai Financial Services Authority) regulator to conduct brokerage activities in the United Arab Emirates. It was a consent of the principal type, i.e. requiring the fulfilment of conditions (mainly of an operational nature) before the actual start of operations. One of them was the establishment of XTB MENA Limited in DIFC (Dubai International Financial Centre), which took place on January 9, 2021. On July 11, 2021 it received a notification from the DFSA confirming the grant of the license with its effective date on July 8 2021.



XTB WITH A REGIONAL OFFICE IN DUBAI



The official start of operating activities of XT B MENA Limited in the United Arab Emirates took place in the last week of July this year. At the beginning, clients will be given access to approximately 1,6k CFD financial instruments. Over time, this offer will be developed and modified in response to the needs and preferences of local investors. As in other markets, UAE XT B strongly focuses on education and cooperation with established local partners.

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

Currently, the efforts of the Management Board are also focused on starting operations in South Africa, where the subsidiary XT B Africa (PTY) Ltd. is undergoing the licensing process from February 2019. XT B does not exclude obtaining a license in 2021, but due to the complex local formal and legal conditions, the Management Board is currently unable to indicate the expected date of commencement of operations on this market.

The development of XT B 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. XT B is currently not involved in any acquisition process.