

XTB S.A.

(joint stock company with its registered office in Warsaw and address at Prosta 67, 00-838 Warszawa, entered into the Register of Business Entities of the National Court Register under No. 0000217580)

DISCLAIMER

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CURRENT REPORT NO. 29/2023

Warsaw, 26 October 2023

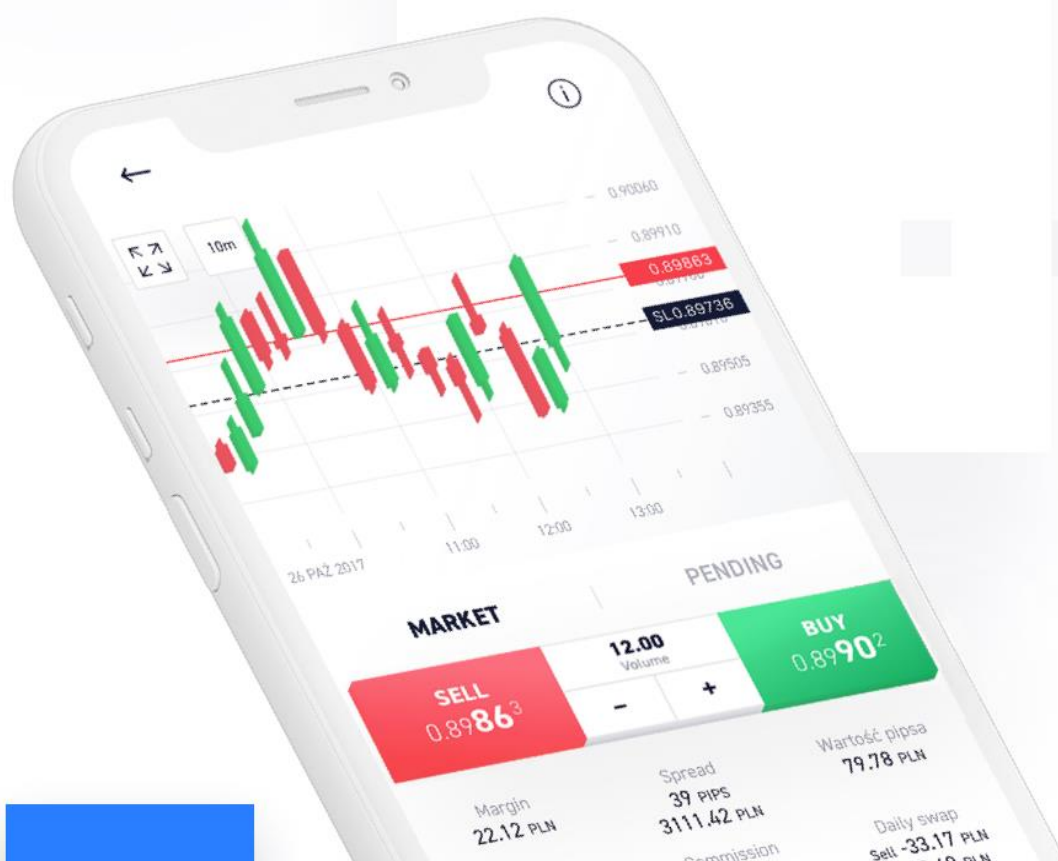
Preliminary financial and operating results for the III quarter of 2023

The Management Board of the XTB S.A (the „Issuer”) hereby announces that on 26 October 2023 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 III quarter of 2023 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 III quarter of 2023 will be submitted in the extended consolidated report of the Issuer’s Group for the III quarter of 2023, publication of which was planned for 8 November 2023.

Legal basis:

Article 17 paragraph 1 MAR – inside information.



Appendix to the current report No. 29/2023 dated 26 October 2023

Preliminary financial and operating results
for the III quarter 2023

XTB S.A.



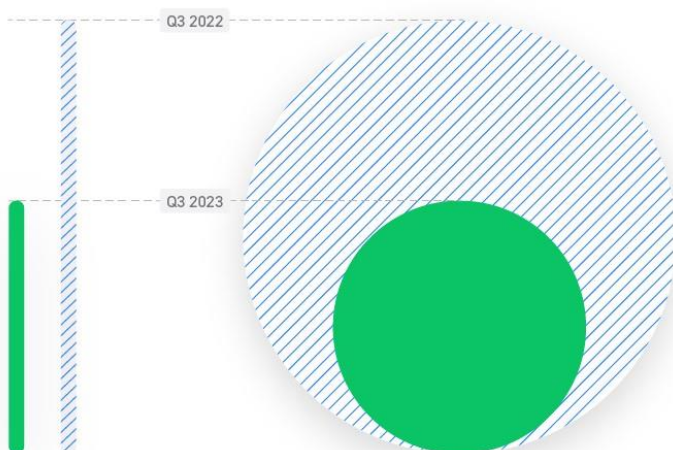
XTB KEY PERFORMANCE INDICATORS Q3 2023



NET PROFIT

121.1 MM
PLN

▼ -48.7% y/y



OPERATING INCOME

275.7 MM
PLN

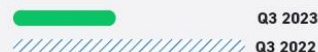
▼ -29.5% y/y



EBIT

110.8 MM
PLN

▼ -57.2% y/y



NUMBER OF ACTIVE CLIENTS

223 080

▲ +47.1% y/y

Q3 2023



Q3 2022



NEW CLIENTS

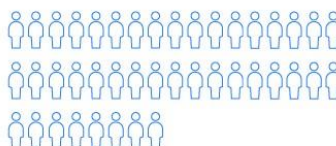
67 505

▲ +50.7% y/y

Q3 2023



Q3 2022



CFD PROFITABILITY
PER LOT

137 PLN

▼ -44.1% y/y



CFD VOLUME

2 001 452

▲ +26.1% y/y





Selected consolidated financial data

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Total operating income	275 721	391 289	1 094 573	1 227 503
Total operating expenses	(164 966)	(132 546)	(506 562)	(400 332)
Profit on operating activities (EBIT)	110 755	258 743	588 011	827 171
Finance income	19 291	32 081	73 121	49 812
Finance costs	14 484	(277)	(4 552)	(789)
Profit before tax	144 530	290 547	656 580	876 194
Income tax	(23 403)	(54 328)	(114 456)	(160 405)
Net profit	121 127	236 219	542 124	715 789

(in PLN'000)	AS AT	
	30.09.2023	31.12.2022
Own cash	1 236 445	1 222 499
Own cash + bonds	1 629 126	1 584 573
Equity	1 477 085	1 506 069

Selected consolidated operating data (KPI)

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
New clients ¹	67 505	44 796	234 704	145 826
Clients in total	826 042	567 387	826 042	567 387
Number of active clients ²	223 080	151 685	330 357	224 339
Average number of active clients ³	223 080	151 685	214 332	150 444
Net deposits (in PLN'000) ⁴	828 062	796 899	2 629 330	2 746 487
Average operating income per active client (in PLN'000) ⁵	1,2	2,6	5,1	8,2
Transaction volume in CFD instruments in lots ⁶	2 011 452	1 594 606	5 626 997	4 645 262
Profitability per lot (in PLN) ⁷	137	245	195	264
Transaction volume in CFD instruments in nominal value (in USD'000000)	593 232	539 879	1 736 964	1 710 807
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ⁸	112	152	149	162
Turnover of shares in nominal value (in USD'000000)	1 077	678	3 203	2 615

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. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

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 third quarter of 2023 XTB reported a consolidated net profit of PLN 121,1 million compared to PLN 236,2 million a year earlier. Consolidated revenue amounted to PLN 275,7 million (Q3 2023: PLN 391,3 million) and operating expenses amounted to PLN 165,0 million (Q3 2022: 132,5 million). During the period, the Group acquired 67,5 thousand new clients, while the number of active clients amounted to 223,1 thousand compared to 151,7 thousand a year earlier, which is an increase of 47,1% y/y.

Revenues

In the third quarter of 2023, the Group's revenues decrease by 29,5% y/y, i.e. from PLN 391,3 million to PLN 275,7 million. This decrease was contributed by a lower profitability per lot of PLN 108, amounting to PLN 137 (Q3 2022: PLN 245). Significant factors determining their level were lower volatility in the financial and commodity markets in the third quarter of 2023, understood as the presence of long and clear trends, compensated in part by an increase in the number of active clients (increase of 47,1% y/y), combined with their high trading activity represented by the number of CFD contracts concluded in lots. As a consequence the transaction volume in CFD instruments amounted to 2 011,5 thousand lots (Q3 2022: 1 594,6 thousand lots).

	THREE-MONTH PERIOD ENDED							
	30.09.2023	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Total operating income (in PLN'000)	275 721	287 245	531 607	216 746	391 289	396 410	439 804	183 567
Transaction volume in CFD instruments in lots ¹	2 011 452	1 770 385	1 845 160	1 720 381	1 594 606	1 489 917	1 560 739	1 073 549
Profitability per lot (in PLN) ²	137	162	288	126	245	266	282	171
Transaction volume in CFD instruments in nominal value (in USD'000000)	593 232	547 088	596 645	548 781	539 879	539 673	631 255	482 097
Profitability for 1 million USD transaction volume in CFD instruments in nominal value (in USD) ³	112	126	204	87	152	168	167	94

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. Presented value does not include CFD turnover on shares and ETFs, where 1 lot equals 1 share.

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).

XTB has a solid foundation in the form of constantly growing client base and the number of active clients. From the beginning of the year, the Group recorded a further record in this area, acquiring 234 704 new clients compared to 145 826 a year earlier, an increase of 60,9%. Similar to the number of new clients, the number of active clients was also a record, increasing by 47,3% y/y, from 224 339 thousand to 330 357.



	PERIOD ENDED							
	30.09.2023	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
New clients ¹	67 505	62 994	104 206	51 038	44 796	45 697	55 333	42 760
Clients in total ²	826 042	762 624	703 928	614 934	567 387	525 287	481 931	429 157
Number of active clients ³	330 357	274 450	215 703	258 799	224 339	190 088	149 726	190 452
Average number of active clients ⁴	214 332	209 958	215 703	153 082	150 444	149 824	149 726	112 015

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

²) Number of clients at the end of individual quarters.

³) Number of active clients respectively in the 9, 6 and 3 months of 2023 and 12, 9, 6 and 3 months of 2022 and 12 months of 2021. An active client is a client who carried out at least one transaction in a period.

⁴) The average quarterly number of clients respectively for 9, 6 and 3 months of 2023 and 12, 9, 6 and 3 months of 2022 and 12 months of 2021.

The priority of the Management Board is to further increase the client base leading to the strengthening of XTB's global position by reaching the mass client with its product offerings. The ambition of the Management Board in 2023 is to acquire, on average, at least 40-60 thousand new clients per quarter. These activities are supported by a number of initiatives, including the first passive investment product introduced in September 2023, which allows clients to build up to 10 strategies based on ETFs. Each strategy can consist of up to 9 ETFs. Investors have a choice of over 350 exchange traded funds currently available on the xStation 5 platform. The client determines the percentage of each ETF included in the plan. The product is currently launched in 6 markets: Czech Republic, Slovakia, Germany, Portugal, Romania and Italy. It will also be launched in Spain and Poland in the fourth quarter of this year. According to the company, the product is attracting considerable interest despite the lack of significant marketing activity around it.

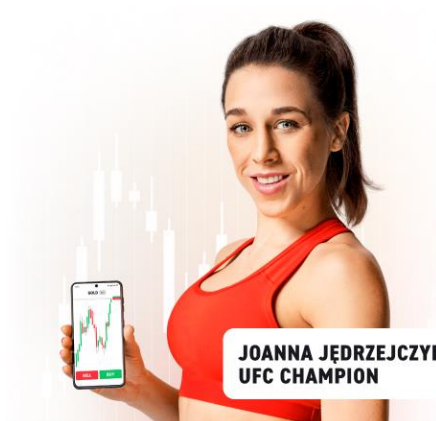
In addition, from April 2023, XTB will allow you to invest in selected European and non-European markets in company shares and ETFs at a fraction of their price. Fractional shares offer greater flexibility and control over investments. This makes it easier for clients to tailor their investment portfolio to their individual financial goals and risk tolerance.



Following the realized activities, the Group acquired a total of 104,2 thousand new clients in the first quarter of 2023, in the second quarter of this year 63,0 thousand new clients, and more than 67,5 thousand new clients in the third quarter of this year. On the other hand, in the first 25 days of October 2023, 21,4 thousand new clients were acquired.



In order to strengthen its market position and global recognition, XTB cooperates with titled athletes who are XTB brand ambassadors. In February 2022, an advertising campaign was introduced featuring titled combat sports athlete, the first Polish woman in the UFC organization and a champion in the organization, as well as three-time world champion in Thai boxing – Joanna Jędrzejczyk.



In September 2022, promotional activities were launched featuring Conor McGregor, another XTB brand ambassador – the Irish mixed martial arts (MMA) and UFC fighter. Conor McGregor is the biggest combat sports star in the world and the highest paid athlete according to a list compiled by Forbes. In addition to being a fighter, Conor is also a successful business person as an investor in number of interesting projects.

Jiří Procházka, a Czech fighter, one of the one of the top MMA fighters, UFC champion, also became the face of XTB brand. This cooperation ended in May 2023.



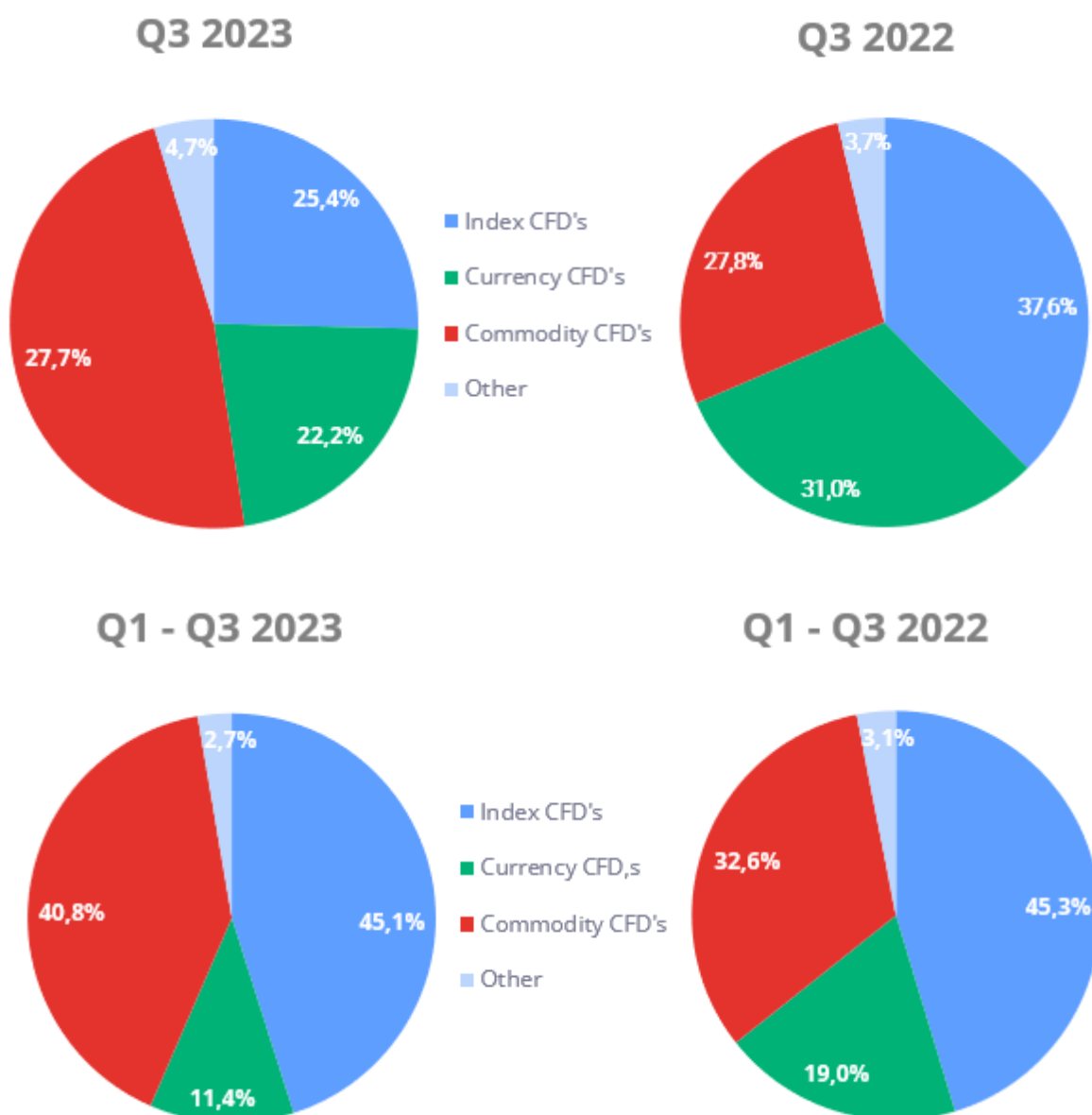
Iker Casillas, former Real Madrid footballer, considered one of the best goalkeepers of all time, also joined the XTB ambassador team in 2022. He currently serves as deputy general manager of the Real Madrid Foundation.

XTB, thanks to its cooperation with such celebrities as Joanna Jędrzejczyk, Conor McGregor, Jiří Procházka or Iker Casillas, has started to promote the investment solutions it offers, in particular convincing that investing in different types of assets is accessible to everyone, with tools that make it easier to enter the world of investment into the world of investment: through daily market analyses, as well as numerous educational materials.



Looking at XTB's revenues in terms of the classes of instruments responsible for their creation, it can be seen that commodity-based CFDs led the way in the third quarter of 2023. Their share in the structure of revenues on financial instruments reached 47,7%. This is a consequence of high profitability on CFD instruments based on oil, gold and wheat quotes. The second most profitable asset class was CFD instruments based on indices. Their share in the revenue structure in the third quarter of 2023 was 25,4%. The most profitable instruments in this class were CFDs based on the US 100 and the US 500 index. Revenue on CFD instruments based on currencies accounted for 22,2% of total revenue, where the most profitable instruments in this class were CFDs based on the EURUSD, USDJPY and GBPUSD currency pairs.

Revenue structure by asset class (in %)





(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Commodity CFDs	137 259	111 421	460 881	408 911
Index CFDs	73 133	150 892	509 412	568 788
Currency CFDs	63 968	124 222	129 044	238 690
Stock CFDs and ETFs	12 219	12 550	21 584	35 699
Bond CFDs	480	1 778	1 173	548
Total CFDs	287 059	400 863	1 122 094	1 252 636
Shares and ETFs	961	441	7 506	2 592
Gross gain on transactions in financial instruments	288 020	401 304	1 129 600	1 255 228
Bonuses and discounts paid to clients	(1 175)	(1 497)	(7 118)	(4 166)
Commission paid to cooperating brokers	(13 902)	(10 239)	(36 856)	(28 378)
Net gain on transactions in financial instruments	272 943	389 568	1 085 626	1 222 684

The business model used by XTB combines features of the agency model and the market maker model, in which the Company is a party to transactions concluded and initiated by clients. XTB does not engage, in proprietary trading for its own account in anticipation of changes in the price or value of the underlying instruments (so-called *proprietary trading*).

The hybrid business model used by XTB also uses an agency model. For example, on the majority of trading in CFD instruments based on cryptocurrencies, XTB hedges these transactions with third-party partners, virtually ceasing to be the other party to the transaction (legally, of course, it is still XTB). The Company's fully automated risk management process limits exposure to market changes and forces it to hedge positions in order to maintain appropriate levels of capital requirements. In addition, XTB executes directly on regulated markets or alternative trading venues all transactions in shares and ETFs and CFDs instruments based on these assets. XTB is not a market maker for this class of instruments.

It is inherent in XTB's business model that revenues are highly volatile from period to period. Operating results are affected primarily by: (i) volatility on financial and commodity markets; (ii) the number of active clients; (iii) the volume of their transactions in financial instruments; (iv) general market, geopolitical and economic; (v) competition in the FX/CFD market and (vi) the regulatory environment.

As a general rule, the Group's revenues are positively affected by higher activity in the financial and commodity markets due to the fact that in such periods see higher levels of trading by the Group's clients and higher profitability per lot. Periods of clear and long market trends are favourable for the Company and it is at such times it achieves the highest revenues. Therefore, the high activity of the financial and commodities markets generally leads to increased trading volume on the Group's trading platforms. Conversely, a decrease in this activity and the related decrease in trading activity of the Group's clients generally leads to a decrease in the Group's operating income. Accordingly, the Group's operating income and profitability may decline during periods of low activity in the financial and commodity markets. In addition, a more predictable trend may emerge in which the market moves in 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 in the



markets, which creates favourable conditions for trading within a narrow market range (range trading). In this case, a higher number of profitable trades are observed for clients, leading to a reduction in the Group's market making result.

Volatility and market activity is driven by a number of external factors, some of which are market specific and some of which may be linked to general macroeconomic conditions. It can significantly affect the Group's revenues in subsequent quarters. This is characteristic of the Group's business model.

Expenses

In the third quarter of 2023 operating expenses amounted to PLN 165,0 million and were higher PLN 32,4 million to the same period a year earlier (Q3 2022 r.: PLN 132,5 million). The most significant changes occurred in:

- costs of salaries and employee benefits, an increase of PLN 14,7 million mainly due to the increase in employment;
- marketing costs, an increase of PLN 10,0 million mainly due to higher expenditures on marketing online and offline campaigns;
- other external services, an increase by PLN 2,8 million as a result of mainly higher expenditure on: (i) legal and advisory services (increase by PLN 1,6 million y/y); (ii) IT systems and licenses (increase by PLN 1,0 million y/y).

(in PLN'000)	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Salaries and employee benefits	63 767	49 036	188 547	142 014
Marketing	58 585	48 579	194 843	153 891
Other external services	15 489	12 737	45 496	35 102
Commission expenses	14 576	12 995	43 561	40 585
Amortization and depreciation	4 196	3 080	11 926	8 735
Other costs	3 208	1 262	7 380	6 437
Taxes and fees	2 947	2 899	8 836	7 645
Costs of maintenance and lease of buildings	2 198	1 958	5 973	5 923
Total operating expenses	164 966	132 546	506 562	400 332

In q/q terms, operating costs increased by PLN 7,6 million mainly due to PLN 3,8 million higher offline marketing expenses and PLN 2,3 million higher salary and employee benefits expenses, mainly resulting from an increase in employment, as well as 0,7 million higher commission expenses resulting from higher amounts paid to payment service providers through which clients deposit their funds on transaction accounts.



	THREE-MONTH PERIOD ENDED							
	30.09.2023	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Total operating expenses including: (in PLN'000)	164 966	157 377	184 219	158 235	132 546	136 750	131 036	100 715
- Marketing	58 585	54 823	81 435	68 478	48 579	54 662	50 650	37 201
New clients ¹	67 505	62 994	104 206	51 038	44 796	45 697	55 333	42 760
Clients in total ²	826 042	762 624	703 928	614 934	567 387	525 287	481 931	429 157
Number of active clients ³	330 357	274 450	215 703	258 799	224 339	190 088	149 726	190 452
Average number of active clients ⁴	223 080	209 958	215 703	160 995	151 685	149 922	149 726	127 174
Average cost of acquiring a client ⁵	0,9	0,9	0,8	1,3	1,1	1,2	0,9	0,9

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

²) Number of clients at the end of individual quarters.

³) The number of active clients in the period of 6 and 3 months of 2023 and 12, 9, 6 and 3 months of 2022 and 12 and 9 months of 2021 respectively. An active client is a customer who has made at least one transaction in a period.

⁴) Average quarterly number of active clients for the period of 6 and 3 months of 2023 and 12, 9, 6 and 3 months of 2022 and 12 months of 2021.

⁵) Average client acquisition cost is defined as marketing expenses in a period divided by the number of new clients over the same period.

As a result of XTB's rapid growth, the Board estimates that total operating expenses in 2023 could be as much as a quarter higher than what we saw in 2022. The Management Board's priority is to further increase the client base and build a global brand. As a consequence of the ongoing activities, marketing expenditure may increase by less than a fifth compared to last year.

The final level of operating expenses will depend, in particular, on the rate of employment growth and the amount of variable remuneration paid to employees, on the level of marketing expenses, on the rate of geographical expansion into new markets and on the impact of possible new regulations and other external factors on the level of revenues generated by the Group.

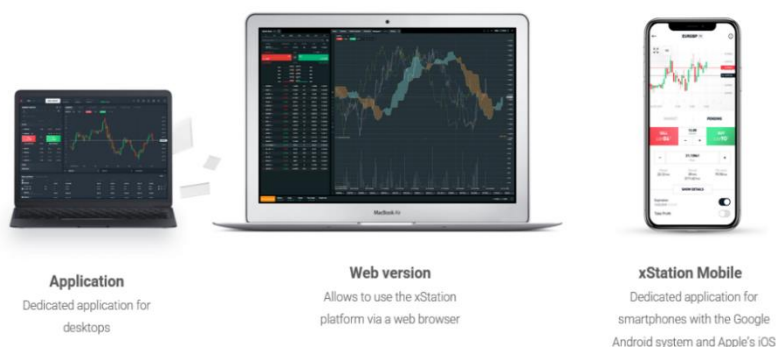
The level of marketing expenses will depend on an assessment of its impact on the Group's performance and profitability, the pace of overseas expansion and the degree of client responsiveness to the actions undertaken. Employment growth in the Group will be contributed by its dynamic growth, both in existing and new markets. In turn, variable remuneration components will be influenced by the Group's performance.

XTB as FinTech

XTB as a technology entity operating in the financial sector, conducts continuous work involving the design and development of highly innovative, comprehensive solutions in the field of transactions and online investments in financial instruments ("research and development"). This makes the Company a FinTech organization. The purpose of the aforementioned work is to develop innovative technologies and

solutions to further develop the product offering in particular. XTB owns of a number of proprietary technological solutions, including the modern xStation trading platform.

Original platform xStation





The research and development work carried out in the 9 months of 2023 was aimed at developing the tools necessary for the efficient operation of XTB's trading systems, effective execution of orders, efficient process of acquiring new clients (so-called onboarding) and further development of tools to support the company's internal processes as a result of identified development needs. The research areas focused on functionalities and operational security of systems, processes and databases. There was also research and development work focused on the development of new electronic trading systems.

In view of the business strategy adopted, which is based on the development of new technologies, an IT Development Department has been separated within the structure of XTB, in which a significant part of the staff is made up of people performing research and development work. The work has a significant, almost strategic impact on the business activities conducted by XTB. This not only translates into the level of revenue generated by XTB but is also crucial in the process of building and maintaining a highly competitive position of the Company on the global capital market. It should be emphasized that XTB is one of the largest FX & CFD brokers in the world, operating on the OTC market and on the stock market.

The table below presents the number of people employed in the IT Development department and the costs incurred in related to the design and development of highly innovative, comprehensive solutions in the field of transactions and online investment solutions:

	NINE-MONTH PERIOD ENDED 30.09.2023	TWELVE-MONTH PERIOD ENDED 31.12.2022	TWELVE-MONTH PERIOD ENDED 31.12.2021
Costs related to the development and development of technologies (in PLN'000)	67 875	58 381	36 617
Number of employees in the IT Development Department*	365	266	161

*Persons employed based on an employment contract, mandate contract and those providing services based on a B2B contract.

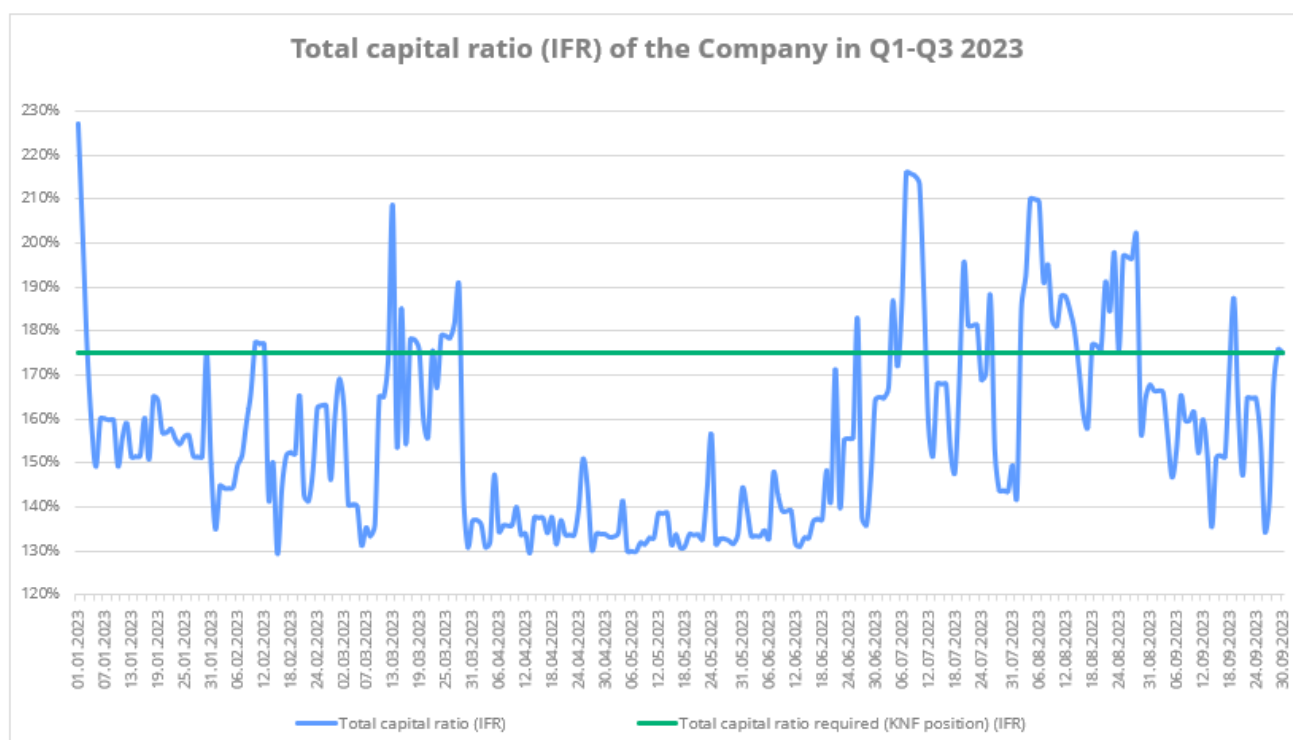
Dividend

XTB's dividend policy assumes that the Management Board recommends to the General Meeting of Shareholders the payment of dividend in the amount which takes into account the level of net profit presented in the Company's standalone annual financial statements and a number of various factors concerning to the Company, including the prospects for further operations, future profits, cash requirements, financial situation, the level of capital adequacy ratios, expansion plans, legal requirements in this respect as well as FSA guidelines. In particular, the Management Board will be guided by the need to ensure an adequate level of the Company's capital adequacy ratios and the capital required for the Group's growth when making its dividends payment proposals.

The Management Board reiterates that its intention is to recommend the General Meeting in the future to adopt resolutions on the payment of dividend, taking into account the factors indicated above, in an amount ranging from 50% to 100% of the Company's standalone net profit for a given financial year. The standalone net profit for the nine-months period of 2023 amounted to 540,6 million.



The levels of the total capital ratio (IFR) of XTB on individual days in Q1-Q3 2023 are presented in the chart below.



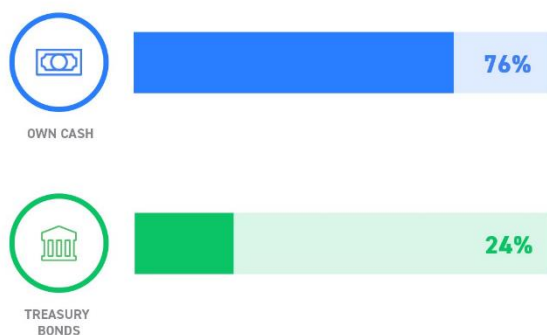
At the end of the third quarter of this year the total capital ratio in the Company amounted to 175,0%. The total capital ratio informs about the ratio of own funds to risk-weighted assets, in other words, it shows whether the brokerage house is able to cover the minimum capital requirement for market, credit, operational and other risks with its own funds.

Cash and cash equivalents

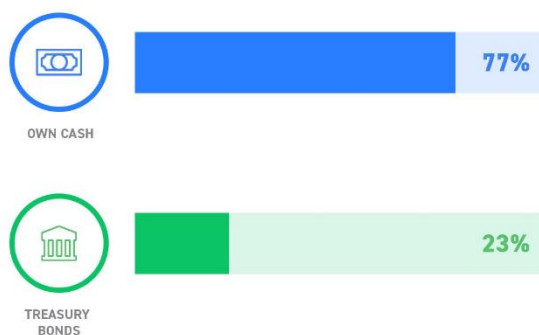
XTB invests part of its cash in bank deposits and in financial instruments with a 0% risk weight, i.e. in treasury bonds and bonds guaranteed by the State Treasury. As at September 30, 2023 the total value of own cash and bonds in the XTB Group was PLN 1 629,1 million, which PLN 1 236,4 million was cash and PLN 392,7 million for bonds.

OWN CASH AS AT

30.09.2023



31.12.2022





Foreign expansion

XTB, with its strong market position and dynamically growing client base, is increasingly boldly building its presence in non-European markets, consistently pursuing the strategy of creating a global brand. The Management Board of XTB puts the main emphasis on organic growth, on the one hand increasing the penetration of European markets, and on the other successively building its presence in Latin America, Asia and Africa. Following these actions, the composition of the capital group may expand with new subsidiaries. It is worth mentioning that geographical expansion is a process carried out by XTB on a continuous basis, the effects of which are spread over time. Therefore, one should rather not expect sudden, abrupt changes in the Group's results on this account.

XTB's development is also possible through mergers and acquisitions, especially with entities that would allow the Group to achieve geographical synergies (complementary markets). The Management Board intends to carry out transactions of this type only if they are associated with tangible benefits for the Company and its shareholders.

Currently, the Management Board's efforts are focused on reaching the mass client with its offer. This is crucial for XTB's further dynamic development and building a global brand. This goal is also served by the addition of new products to the offer in 2023 and subsequent years. The Management Board estimates that the results of this works will give a much higher yield than if the available resources were invested in launching operations in South Africa. For this reason, the start of operations of XTB Africa (PTY) Ltd. has been postponed until at least 2024.