X-TRADE BROKERS DOM MAKLERSKI S.A.
CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw

+48 222 019 570

biuro@xtb.pl

www.xtb.pl

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XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
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I. Comprehensive income statement

	Note	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
The result of operations on financial instruments	5	234,515,273	164,971,808
Income from fees and charges	6	5,111,073	4,682,388
Other income		683,103	587,387
Total operating income		**240,309,449**	**170,241,583**
Salaries and employee benefits	7	(49,131,708)	(37,534,693)
Marketing		(19,833,203)	(28,770,001)
Other third party services	8	(20,651,338)	(14,966,903)
Costs of maintenance and lease of buildings		(6,520,187)	(4,901,058)
Depreciation		(3,888,239)	(3,007,672)
Taxes and fees		(723,680)	(6,979,478)
Fee expenses	9	(25,129,618)	(13,320,231)
Other costs		(8,308,602)	(7,101,621)
Total operating expenses		**(134,186,574)**	**(116,581,657)**
Profit on operating activities		**106,122,875**	**53,659,926**
Finance income	10	5,442,046	9,953,581
Financial expenses	11	(6,203,846)	(13,679,295)
Profit before tax		**105,361,075**	**49,934,212**
Income tax	25	(24,779,431)	(9,397,336)
Net profit		**80,581,644**	**40,536,876**
Net profit attributable to:			
Owners of the Parent Company		*80,581,644*	*40,536,876*
Non-controlling interests		–	–
Other comprehensive income			
Items which will not be reclassified to profit or loss after meeting specific conditions		–	–
Items which will be reclassified to profit or loss after meeting specific conditions		769,933	1,340,177
Total comprehensive income		**81,351,577**	**41,877,053**
Total comprehensive income attributable to:			
Owners of the Parent Company		*81,351,577*	*41,877,053*
Non-controlling interests		–	–

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ul. Ogrodowa 58
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www.xtb.pl

II. Consolidated statement of financial position

	Note	31.12.2013 PLN	31.12.2012 PLN
ASSETS			
Cash and cash equivalents	12	413,332,301	394,040,562
Financial assets held for trading	13	71,540,865	44,387,046
Receivables under income tax		8,296	2,974,200
Loans granted and other receivables	14	40,521,848	43,599,740
Prepayments and accruals		2,264,683	2,402,258
Intangible assets	15	12,928,757	9,337,156
Property, plant and equipment	16	4,691,869	3,659,899
Assets due for deferred income tax	26	16,640,767	15,409,606
Total assets		**561,929,386**	**515,810,467**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Liabilities			
Liabilities to clients	7	246,057,189	210,840,727
Financial liabilities held for trading	18	11,479,208	7,397,139
Liabilities under income tax		4,795,139	2,093,548
Other liabilities	19	24,413,809	12,617,274
Provisions for liabilities	22	607,912	506,086
Reserve for deferred income tax	26	17,994,461	12,125,602
Total liabilities		**305,347,718**	**245,580,376**
Equity capital			
Share capital	23	5,869,182	5,869,182
Supplementary capital	23	71,607,772	71,501,378
Other reserve capitals	23	102,187,428	155,342,982
Foreign exchange differences on translation	23	469,680	(300,253)
Result for the present year and previous years		76,447,362	37,816,558
Shareholders' equity of the owners of the Parent Company		**256,581,424**	**270,229,847**
Non-controlling interests		244	244
Total shareholders' equity		**256,581,668**	**270,230,091**
Total shareholders' equity and liabilities		**561,929,386**	**515,810,467**

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ul. Ogrodowa 58
00-876 Warsaw
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biuro@xtb.pl
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III. Consolidated statement of changes in equity

Consolidated statement of changes in equity for the period from 1 January 2013 to 31 December 2013

	Share capital PLN	Supplementary capital PLN	Other reserve capitals PLN	Foreign exchange differences on translation PLN	Result for the present year and previous years PLN	Shareholders' equity of the owners of the Parent Company PLN	Non-controlling interests PLN	Total shareholders' equity PLN
As at 1 January 2013	**5,869,182**	**71,501,378**	**155,342,982**	**(300,253)**	**37,816,558**	**270,229,847**	**244**	**270,230,091**
Total comprehensive income for the financial year								
Net profit	–	–	–	–	80,581,644	**80,581,644**	–	**80,581,644**
Other comprehensive income	–	–	–	769,933	–	**769,933**	–	**769,933**
Total comprehensive income for the financial year	**–**	**–**	**–**	**769,933**	**80,581,644**	**81,351,577**	**–**	**81,351,577**
Transactions with the Parent Company's owners entered directly in shareholders' equity								
Distribution of the financial result	–	106,394	10,381,316	–	(41,950,840)	**(31,463,130)**	–	**(31,463,130)**
- retained profits		106,394	10,381,316	–	(10,487,710)	**–**	–	**–**
- dividend payment				–	(31,463,130)	**(31,463,130)**	–	**(31,463,130)**
Dividend payment from the reserve capital	–	–	(63,536,870)	–	–	**(63,536,870)**	–	**(63,536,870)**
As at 31 December 2013	**5,869,182**	**71,607,772**	**102,187,428**	**469,680**	**76,447,362**	**256,581,424**	**244**	**256,581,668**

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
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biuro@xtb.pl
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Consolidated statement of changes in equity for the period from 1 January 2012 to 31 December 2012

	Share capital PLN	Supplementary capital PLN	Other reserve capitals PLN	Unregistered contribution to shareholders' equity PLN	Foreign exchange differences on translation PLN	Result for the present year and previous years PLN	Shareholders' equity of the owners of the Parent Company PLN	Non-controlling interests PLN	Total shareholders' equity PLN
As at 1 January 2012	**5,520,625**	**1,850,000**	**138,070,425**	**69,999,935**	**(1,640,430)**	**104,552,239**	**318,352,794**	**244**	**318,353,038**
Total comprehensive income for the financial year									
Net profit	–	–	–	–	–	40,536,876	**40,536,876**	–	**40,536,876**
Other comprehensive income	–	–	–	–	1,340,177	–	**1,340,177**	–	**1,340,177**
Total comprehensive income for the financial year	**–**	**–**	**–**	**–**	**1,340,177**	**40,536,876**	**41,877,053**	**–**	**41,877,053**
Transactions with the Parent Company's owners entered directly in shareholders' equity									
Distribution of the financial result:	–	–	17,272,557	–	–	(107,272,557)	**(90,000,000)**	–	**(90,000,000)**
- retained profits	–	–	17,272,557	–	–	(17,272,557)	**–**	–	**–**
- dividend payment	–	–	–	–	–	(90,000,000)	**(90,000,000)**	–	**(90,000,000)**
Contributions to shareholders' equity	348,557	69,651,378	–	(69,999,935)	–		**–**	–	**–**
As at 31 December 2012	**5,869,182**	**71,501,378**	**155,342,982**	**–**	**(300,253)**	**37,816,558**	**270,229,847**	**244**	**270,230,091**

IV. Consolidated cash flow statement

	Note	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Cash flow from operating activities			
Profit before tax		105,361,075	49,934,212
Adjustments:			
Minority profit (loss)		–	–
(Gain)/Loss on sale or disposal of items of property, plant and equipment		267,214	(107,586)
Depreciation		3,888,239	3,007,672
(Positive)/negative foreign exchange differences on translation of cash		2,885,932	733,771
Other adjustments	28.3	768,817	1,462,933
Movement			
Movement of reserves		101,826	(139,291)
Change in balance of financial assets and liabilities held for trading		(23,071,750)	(9,453,504)
Change in balance of loans granted and other receivables	28.1	1,310,451	(1,296,715)
Change in balance of prepayments and accruals		137,575	(108,946)
Change in balance of liabilities to clients		35,216,462	22,444,663
Change in balance of other liabilities	28.2	11,903,522	(8,684,240)
Cash from operating activities		**138,769,363**	**57,792,969**
Income tax paid		(14,474,238)	(7,441,259)
Interests		37,000	(23,466)
Net cash from operating activities		**124,332,125**	**50,328,244**
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		139,359	295,200
Payments for property, plant and equipment	16	(3,450,197)	(1,764,141)
Payments for intangible assets	15	(5,340,109)	(6,133,826)
Loans granted		1,767,441	(1,221,070)
Inflows under repurchase of treasury bills		–	15,100,000
Net cash from investing activities		**(6,883,506)**	**6,276,163**
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(233,948)	(481,833)
Interest paid under lease		(37,000)	(34,825)
Dividend paid to owners		(95,000,000)	(90,000,000)
Net cash from financing activities		**(95,270,948)**	**(90,516,658)**
Increase in net cash and cash equivalents		**22,177,671**	**(33,912,251)**

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

Consolidated cash flow statement (continued)

	Note	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Cash and cash equivalents - opening balance		394,040,562	428,686,584
Effect of FX rates fluctuations on balance of cash in foreign currencies		(2,885,932)	(733,771)
Cash and cash equivalents - closing balance	**12**	**413,332,301**	**394,040,562**
including restricted cash:			
- cash and other monetary assets of clients		*245,120,219*	*205,492,733*
- funds of the Employee Benefit Fund		*–*	*1,040*

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ul. Ogrodowa 58
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biuro@xtb.pl
www.xtb.pl

V. Supplementary information

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
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biuro@xtb.pl
www.xtb.pl

1. Information about the parent company and composition of the Capital Group

The parent company in the X-Trade Brokers Dom Maklerski S.A. Capital Group (the "Group") is X-Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Parent Company", "Brokerage") with the headquarters located in Warsaw, at ul. Ogrodowa 58, 00-876 Warszawa.

X-Trade Brokers Dom Maklerski S.A. is entered in the Commercial Register of the National Court Register by the District Court for the Capital City of Warsaw, Division XII Commercial of the National Court Register, under No. KRS 0000217580. The parent company was granted a statistical REGON number and a tax identification (NIP) number 527-24-43-955.

The Parent Company's operations consist in conducting brokerage activities on the stock exchange and OTC markets (currency derivatives, commodities, indices, stocks and bonds). The parent company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005 No. DDM-M-4021-57-1/2005.

1.1. Information on the reporting entities in the Company's organisational structure

These financial statements cover the following foreign branches which form part of the Parent Company:

- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačni složka – branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102,
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana - a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A,
- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačná zložka - branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324,
- X-Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) - branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: CUI 24270192,
- X-Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) - branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: 4721939029,
- X-Trade Brokers Dom Maklerski S.A., Magyarorszagi Fioktelepe (branch in Hungary) – branch established on 21 April 2010 in the Republic of Hungary. On 11 May 2010, the branch was registered in the Commercial Register under No. 0117000638 and was granted the following tax identification number: HU22691631.

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
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- X-Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689.
- X-Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register under No. 980436613.
- X-Trade Brokers Dom Maklerski S.A., Succursale in Italia (branch in Italy) – branch established on 28 July 2010 in Italy. On 28 July 2010, the branch was registered in the Commercial Register under No. 07115880960.

On 31 December 2013, under the resolution of the Management Board of X-Trade Brokers Dom Maklerski S.A. of 22 November 2013, the branch in Hungary was liquidated. The balance-sheet amount as at 31 December 2013 amounted to PLN 10,698,324 (HUF 765,861,825) and the accumulated loss amounted to PLN 6,437,803 (HUF 442,520,413).

1.2. Composition of the Capital Group

The X-Trade Brokers Dom Maklerski S.A. Capital Group is composed of X-Trade Brokers Dom Maklerski S.A. as the parent company and the following subsidiaries:

Company name	Country of the registered office	Percentage share in the capital	
		31.12.2013	31.12.2012
X Open Hub Ltd	United Kingdom	100%	100%
X-Trade Brokers Asesores Bursatiles S.A.	Mexico	98%	98%
xStore Ltd	Cyprus	100%	100%
xStore Sp. z o.o.	Poland	100%	–
DUB Investments Ltd	Cyprus	100%	–

X Open Hub Limited was established on 19 April 2010 under the name XTB UK Ltd. The company started its operating activities in November 2010. In 2012, the company changed its name into X Financial Solutions Ltd and in 2013 it changed its name into X Open Hub Limited. The results of the company are consolidated under the acquisition method from the date of its establishment.

On 7 June 2010, the parent company acquired 98 per cent of shares in X Trade Brokers Asesores Bursatiles S.A. with its registered office in Mexico. Until the date of drawing up the consolidated financial statements, the company did not start its operating activities.

On 24 May 2012, the Parent Company acquired 100 per cent of the shares in xSocial Ltd with its registered office in Cyprus. In 2012, the company changed its name into xStore Ltd. The results of the company are consolidated under the acquisition method from the date of its establishment. In 2013, the process of liquidation of the company was launched and it is presently nearly completed.

On 6 March 2013, the Parent Company acquired 100 per cent of the shares in xStore Sp. z o.o. with its registered office in Poland. The results of the company are consolidated under the acquisition method from the date of its establishment.

On 15 October 2013, the Parent Company acquired 100 per cent of the shares in DUB Investments Limited with its registered office in Cyprus. The results of the company are consolidated under the acquisition method from the date of its acquisition. The fair value of the payment amounted to EUR 312,180.97. As a result of the acquisition, the parent company did not recognise the value of the company, the difference between the acquisition price and the fair value of the acquired elements of the assets was included in the costs for the accounting period. The subsidiary recognised the following results in the accounting period:

	from the date of acquisition	for the current accounting period
Revenue amount	195,314	766,958
Profit (loss) for the accounting period	(110,066)	(453,541)

Fair value of main categories of the assets on the date of acquisition:

	fair value EUR	exchange rate	fair value PLN
Fixed assets	3,666	4.1925	15,370
Guarantee fund	39,300	4.1925	164,765
Cash and cash equivalents	96,343	4.1925	403,918
Receivables - liabilities	(17,959)	4.1925	(75,293)
Net assets	**121,350**		**508,760**

2. Basis for drafting the financial statements

2.1. Compliance statement

The consolidated statements of the X-Trade Brokers Dom Maklerski S.A. Capital Group, prepared for the financial year from 1 January 2012 to 31 December 2013, contain the financial information of the Parent Company and the financial information of the subsidiaries, which together constitute the "Group".

The consolidated financial statements were drafted based on the International Financial Reporting Standards as approved by the European Union (IFRS) approved by the European Union and other applicable regulations.

The consolidated financial statements were approved by the Management Board of the Parent Company on 31 March 2014. The General Meeting and the Supervisory Board of X-Trade Brokers Dom Maklerski S.A. are authorised to make amendments to the consolidated financial statements after its approval by the Management Board.

In 2013, presentation of the capital on issue of shares over their nominal value was changed ("agio"). In the consolidated financial statements for the year ended 31 December 2012, agio in the amount of PLN 69,651,379 was recognised in the reserve capital. In the financial statements for the current year, agio is recognised in the supplementary capital. In relation to the above, the comparative data in relation to the consolidated financial statements for the year ended 31 December 2012 was changed. The appropriate changes were made in the consolidated statement on the financial situation and the consolidated statement of changes in equity.

2.2. New standards and amendments to published standards and interpretations approved by the EU, in effect starting from 2013

The disclosures refer to the standards, changes and interpretations approved by the EU, in effect starting from 2013, which have the largest impact on the consolidated financial statements of the company. Other

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
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standards did not refer to the company or did not have a significant impact on its consolidated financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of other comprehensive income – is effective for annual periods starting on or after 1 July 2012.

In compliance with the amendments, an entity is required to present those items of comprehensive income which may be reclassified to the financial result in the future separately from those which will not be reclassified. If other comprehensive income items are presented before their respective tax consequences, the total tax amounts should be allocated to the respective portions of other comprehensive income.

The amendments require a change of the term "comprehensive income statement" to "profit and loss account and other comprehensive income", and other titles may also be used.

For the first time, the amendments have been applied by the Group in the consolidated financial statements for the annual period beginning on 1 January 2013.

- IFRS 13 Evaluation using the fair value - is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 will replace the guidelines regarding fair value measurement provided in other standards. It defines the notion of the fair value, establishes rules of the fair value measurement and requirements regarding disclosure of information on the fair value measurement. IFRS 13 clarifies how the fair value should be established if it is required or permitted in compliance with the other standards.

The standard contains a detailed structure of disclosures that allow users of financial statements to evaluate the methods and data used in determining fair value. For recurring fair value measurement where unobservable inputs are applied, the standard requires disclosure of impact of the fair value measurement on the profit or loss or other comprehensive income.

For the first time, IFRS 13 has been applied by the Group in the consolidated financial statements for the annual period beginning on 1 January 2013. The major change referred to expanding the scope of disclosures regarding fair value.

2.3. New standards and interpretations pending the EU approval

- IFRS 9 Financial instruments (2009) - effective for annual periods beginning on or after 1 January 2015.

The new standard replaces the guidelines provided in IAS 39 Financial Instruments: Recognition and Measurement on classification and measurement of financial assets. This standard eliminates the categories existing thus far under IAS 39: held to maturity, available for sale and loans and receivables.

At initial recognition, financial assets will be classified in one of the two categories:

- financial assets measured at amortised cost; or

- financial assets measured at fair value.

A financial asset is measured at amortised cost if two conditions are met:

- assets are held as part of a business model whose objective is to hold assets in order to obtain cash flows under the contract; and

- in compliance with its contractual terms, at certain times the resulting cash flows constitute only repayment of the capital and interest on the unpaid portion of the capital.

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biuro@xtb.pl
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Gains and losses on valuation of financial assets carried at fair value are disclosed in the financial result of the period, excluding cases where the equity investment is not held for trading. Under IFRS 9, it is possible to take an irreversible decision on valuation of such financial instrument, at initial recognition, at fair value through other comprehensive income. The election can be made for each instrument separately. Figures disclosed under other comprehensive income cannot be reclassified through profit and loss account in subsequent periods.

The Parent Company analyses the impact of a new standard and its amendment on the consolidated financial statements of the Group.

- IFRS 9 Financial instruments (2010) - effective for annual periods beginning on or after 1 January 2015.

Amendments to IFRS 9 (2010) change the guidelines provided in IAS 39 Financial Instruments: Recognition and Measurement on classification and measurement of financial liabilities and derecognition of financial assets and liabilities.

The standard maintains nearly all of the currently binding requirements of IAS 39 with regard to classifying and measuring financial liabilities and derecognising financial assets and liabilities.

Under the standard, a change of fair value connected with a change of credit risk of a financial liability classified at initial recognition as measured at fair value through profit or loss should be presented under other comprehensive income. Only the remaining portion of profit or loss resulting from the fair value valuation should be disclosed through profit or loss of the current period. In cases when this requirement leads to mismatch of income and expenses, the entire change of the fair value would be recognised through profit or loss of the given period.

Values disclosed under other comprehensive income are not reclassified in subsequent periods to profit or loss of the current period. They can be, however, reclassified within the shareholders' equity.

Under IFRS 9, derivatives linked to unquoted equity investments, which must be settled through delivery of unquoted equity investments the value of which cannot be reliably determined, should be measured at fair value.

The Parent Company analyses the impact of a new standard and its amendment on the consolidated financial statements of the Group.

- Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: disclosures - are effective for annual periods beginning on or after 1 January 2014.

These amendments alter the requirements regarding disclosures and translation of comparative data concerning first-time adoption of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).

The amendments to IFRS 7 require disclosure of details of first-time adoption of IFRS 9 in the event when the entity does not translate comparative data as provided for in the amended IFRS 9.

If an entity adopts IFRS 9 on or after 1 January 2013, no translation of comparative data for previous periods will be required.

If an entity early-adopts IFRS 9 in 2012, it will be permitted to translate comparative data or provide additional disclosures, in compliance with the requirements of the amended IFRS 7.

If an entity adopts IFRS 9 on an earlier date, before 2012, it will not be obligated to translate comparative data or provide additional disclosures, as required by the amended IFRS 7.

The Parent Company analyses the impact of a new standard and its amendment on the consolidated financial statements of the Group.

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00-876 Warsaw
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biuro@xtb.pl
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- The amendment to IAS 19 Employee benefits entitled the Defined benefit plans: employee contributions - effective for annual periods beginning on or after 1 July 2014.

The amendment refers to the contributions brought to defined benefit plans by the employees or third parties. The purpose of amendments is to simplify recognition of contributions not depending on the period of employment, for example employee contributions defined as a permanent percentage of the remuneration.

It is expected that at the time of initial application, the amendment will not significantly affect the consolidated financial statements. The Group is not going to change the accounting policy and recognise such contribution as a cost decrease in the period of its maturity.

- The interpretation of IFRIC 21 Public fees - effective for annual periods beginning on or after 1 January 2014.

The interpretation contains instructions concerning identification of obligating events, causing a liability due to public fees and the moment of recognising such liability.

Pursuant to the Interpretation, an obligating event is an event arising from the appropriate provisions of law, which results in a liability to pay a public fee and the necessity to include it in the financial statements.

A liability due to public fee is recognised gradually if the obligating event takes place during a certain period.

If the obligating event means achieving a specific minimum threshold of activity, the liability is recognised at the moment of reaching that threshold.

The Interpretation explains that if an entity is economically obliged to continue its activities in the following period, it does not cause the usually expected obligation to pay the public fee arising from conducting activities in the future.

It is expected that at the time of initial application, the new interpretation will not significantly affect the consolidated financial statements because it does not cause any change of the accounting policy of the Group with respect to public fees.

- Amendments to IFRS 2010-2012 are effective for annual periods beginning after 1 July 2014.

The annual improvements to IFRS 2010-2012 contain 8 amendments to 7 standards and consequential amendments to other standards and interpretations. In particular, the amendments:

- explain the definition of "conditions for acquiring rights" from Appendix A to IFRS 2 Share-based payments, by separate defining of the conditions connected with performances and conditions of service provision;

- explain certain aspects of accounting recognition of the conditional fee in business combinations transactions,

- amend par. 22 of IFRS 8 Operating Segments introducing the requirement for the entities to disclose the factors used to identify reporting segments when the operating segments of the entities are combined. It should supplement the current requirements concerning disclosures included in par. 22(a) of IFRS 8;

- amend par. 28(c) of IFRS 8 Operating Segments explaining that reconciliation of the balance-sheet amount of the assets of reporting segments with the balance-sheet amount of the entity should be disclosed if it is regularly forwarded to the key operating decision-maker of the entity. The amendment is compliant with the requirements specified in par. 23 and 28(d) of IFRS 8;

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

- explain the justification of IASB to remove par. B5.4.12 from IFRS 9 Financial instruments and par. OS79 from IAS 39 Financial instruments: Recognition and Measurement as amendments arising from IFRS 13 Fair value measurement.

- explain the requirements concerning the overestimated value model from IAS 16 Fixed assets and IAS 38 Intangible assets to refer to the reported doubts concerning determination of redemption and depreciation on the overestimation date;

- establish the entity providing the entity management services to be its affiliate.

The Group does not expect the above amendments to significantly affect the consolidated financial statements of the Group.

- Amendments to IFRS 2011-2013 - are effective for annual periods beginning after 1 July 2014.

The annual improvements to IFRS 2011-2013 contain 4 amendments to standards and consequential amendments to other standards and interpretations. In particular, the amendments:

- explain the meaning of the term "each of IFRS applicable at the end of the accounting period, when IFRS was applied for the first time" used in par. 7 of IFRS 1 Application of the International Financial Reporting Standards for the first time;

- explain that the exception of application, included in par. 2(a) of the IFRS 3 Business Combinations:

- excludes creation of all types of joint arrangements defined in IFRS 11 Joint Arrangements, from the scope of IFRS 3; and

- refers only to financial statements of joint arrangements or joint undertakings.

- explain that the exception concerning the portfolio of instruments, included in par. 48 of IFRS 13, refers to all agreements included in the scope of IAS 39 Financial instruments: Recognition and measurement or IFRS 9 Financial instruments, regardless whether they meet the definitions of financial assets or liabilities from IAS 32 Financial instruments: Presentation.

- explain that assessment whether acquisition of investment property is an addition of an element of assets, group of assets or merger of arrangements within the scope of IFRS 3, requires application of judgement and that the judgement is based on the instructions included in IFRS 3.

The Group does not expect the above amendments to significantly affect the consolidated financial statements of the Group.

2.4. New standards, interpretations and amendments to the existing standards, which did not come into force for the periods ending on 31 December 2013

- IFRS 10 Consolidated financial statements - effective for annual periods beginning after 1 July 2014.

IFRS 10 stipulates a new single control analysis model with respect to all entities, where investments have been made, including the entities included in SIC-12 as SPE. IFRS 10 introduces new control assessment requirements, which differ from the previous requirements under IFRS 27 (2008). In the new control model, the investor controls the invested entity, if (1) it is exposed or entitled to variable returns on its exposure to that entity, (2) it is able to affect those returns through its governance over the subject of the investment, and (3) there is a link between the above governance and the returns.

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

The new standard also contains requirements regarding disclosures and requirements on preparing consolidated financial statements. These requirements were carried over from IAS 27 (2008).

The Parent Company does not expect the above amendment to significantly affect the financial statements of the Group.

- IFRS 11 Joint Contractual Arrangements - effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Contractual Arrangements replaces IFRS 31 Shares in Joint Arrangements. IFRS 11 does not introduce significant amendments concerning the general definition of the arrangement under joint control, although the definition of control and, indirectly, joint control, was amended in relation to IFRS 10.

Pursuant to the new standard, joint contractual arrangements are divided into two types, for which the following recognition models were defined:

- joint undertakings mean those, where the jointly controlling entities, namely partners in a joint undertaking, participate in assets and liabilities connected with the joint undertaking.

- a joint arrangement means an arrangement where the jointly controlling partners, namely arrangement partners, are entitled to net assets of the arrangement.

IFRS 11 excludes the cases from IAS 31 where joint arrangements cannot be actually separated regardless of their existence in the form of separate entities. Such arrangements are treated similarly to the jointly controlled assets/undertakings pursuant to IAS 31 and defined as joint undertakings. For other entities under joint control pursuant to IAS 31, defined now as joint ventures, the ownership rights method should be applied. It is not possible to apply the proportional consolidation.

The Group does not expect the above amendment to significantly affect its financial statements.

- IFRS 12 Disclosure of interests in other entities - effective for annual periods beginning on or after 1 January 2014.

IFRS 12 contains additional requirements connected with disclosures of information on significant estimates when defining the nature of interests in other entities, joint arrangements, associates and/or unconsolidated structured entities.

Until the moment of first application of the above standard, the Group cannot conduct the impact analysis for that standard on its consolidated financial statements.

- IAS 27 (2011) Separate Financial Statements - effective for annual periods beginning on or after 1 January 2014.

IAS 27 (2011) upholds the current requirements of IAS 27 (2008) as regards accounting and disclosures in separate financial statements, and only certain minor clarifications are provided. The currently binding requirements of IAS 28 (2008) and IAS 31 relative to separate financial statements will now be covered by IAS 27 (2011). The standard does not regulate any more the control issues and requirements regarding consolidated financial statements, which were transferred to IFRS 10: Consolidated financial statements.

The Group does not expect the above amendment to significantly affect its financial statements.

- IAS 28 (2011) Investments in associates and joint arrangements - effective for annual periods beginning on or after 1 January 2014.

Limited amendments were introduce to IAS 28 (2011):

- associates and joint arrangements held for sale. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is applied to an investment or its portion, into an associate or a joint-venture, which meets the criteria for being classified as held for sale. Until the portion of an investment held for sale is disposed of, the equity method is applied with regard to the retained portion of an investment, not

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

classified as held for sale. Following the disposal, the retained portion of valued with the equity method if the retained investment continues to be an investment in an associate or a joint-venture.

- changes in investments in associates or joint arrangements. Previously (under IAS 28 (2008) and IAS 31) loss of significant influence or joint control resulted, in all cases, in having to revalue the retained share, even in cases where significant influence changed into joint control. IAS 28 (2011) requires that retained investments are not re-valued in such cases.

The Group does not expect the above amendment to significantly affect its financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities – effective for annual periods starting on or after 1 January 2014.

The amendments do not provide for any new principles regarding offsetting financial assets and liabilities. However, the offsetting criteria are explained so as to eliminate inconsistent application of these principles.

As follows from the amendment, an entity has a legally enforceable right to set off, if such right:

- is not contingent on occurrence of a specific past event; and

- is enforceable both in normal business conditions and in the event of a payment failure or in the case of insolvency or bankruptcy of the entity and all of its counterparts.

The Group does not expect the above amendment to significantly affect its financial statements.

- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities – effective for annual periods starting on or after 1 January 2014.

The amendments:

- define the date of initial adoption of IFRS 10 as the beginning of the annual reporting period, where the standard was applied for the first time (namely 1 January 2013, if not adopted earlier). As at that date, the entity verifies if there has been a change in judgements regarding the need to consolidate investments held in other entities;

- limit the requirement to translate comparative information to the period directly preceding the date of first adoption, which applies to all the standards in question. Entities that are voluntarily submitting comparative information for more than one period may keep additional comparative periods not translated;

- require disclosure of the effect of the accounting policy change on the period immediately preceding the date of first adoption (i.e. disclosure of the effect of changes on the current period is not required);

- eliminate the requirement to disclose comparative information on disclosures concerning unconsolidated structured entities for any period preceding the year-long period in which IFRS 12 was first adopted.

The Group does not expect the above amendment to significantly affect its financial statements.

- Novation of derivative instruments and further application of hedge accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement) – effective for annual periods starting on or after 1 January 2014.

The amendments allow further application of hedge accounting if a derivative instrument designated as hedging instrument is subject to novation arising from the provisions of law for the purpose of settlement with the clearing house (central counterpart), when the following conditions are met:

- novation is required by the provisions of law,

- the clearing house becomes a new party to the transaction for each of the initial parties of the contract concerning a derivative instrument, and

- amendments of the conditions for the derivative instrument are limited to those necessary to change the party to the agreement.

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

The Group does not expect the above amendment to significantly affect its financial statements.

- Disclosure of the recoverable value concerning non-financial assets (Amendments to IAS 36 Impairment of assets) - effective for annual periods beginning on or after 1 January 2014.

The amendments explain that the recoverable value should be disclosed only for specific assets (including goodwill) or cash-generating units, for which losses due to impairment were recognised or reversed in a given period.

The amendments introduce the requirement of recognising the following additional disclosures if the loss due to impairment of an element of assets (including goodwill) or a cash-generating unit was recognised or reversed in a given period and the recoverable value was determined based on the fair value decreased by the costs of sales:

- the level of hierarchy of determining the fair value pursuant to IFRS 13 Fair Value Measurement, to which a given estimation of fair value was assigned;

- for fair value measurement classified to level 2 and level 3 of the fair value hierarchy, the description of the applied estimation techniques and the possible changes of those techniques together with justification;

- for fair value measurement classified to level 2 and level 3 of the fair value hierarchy, the description of the key assumptions (namely assumptions, to which the recoverable value is the most sensitive) used while determining the fair value decreased by the costs of sales. If the fair value decreased by the costs of sales was specified based on estimation of the current value, the discount rates used in the present and previous period should also be disclosed.

The Group does not expect the above amendment to significantly affect its financial statements.

- IFRS 14 Regulatory Deferral Accounts - effective for annual periods beginning on or after 1 January 2016.

This temporary standard:

- allows the entities applying IFRS for the first time to continue the present rules of recognising regulatory assets and liabilities both at the first application of IFRS and in the financial statements for the following periods;

- requires the entities to present regulatory assets and liabilities and their changes in separate items of the financial statements; and

- requires specific disclosures allowing determination of the type and risks connected with regulated rates, in relation to which regulatory assets and liabilities were recognised in accordance with that temporary standard.

The Group does not expect the above temporary standard to significantly affect its financial statements because it refers only to the entities applying IFRS for the first time.

2.5. Retrospective application of standards and interpretations

In preparing these financial statements, the Parent Company decided that none of the Standards would be adopted early.

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

3. Adopted accounting policies

3.1. Rules of consolidation

The consolidated financial statements contain the financial information of the Parent Company and the financial information of the subsidiaries as at 31 December 2013. The financial statements of the subsidiaries are prepared as at the same reporting date as the financial statements of the parent company and, in all material respects, in accordance with the same accounting policies.

3.1.1 Business combinations

Acquisitions of entities and organised parts of the business are recognised using the acquisition method. Each payment made as a result of a business combination is measured at the aggregate fair value (as at the date of payment) of transferred assets, liabilities incurred or acquired and capital investments issued in exchange for taking over the target. Costs directly related to the business combination are recognised in profit or loss at the time they were incurred.

In some cases, the payment transferred also includes assets or liabilities arising from the contingent payment, measured as at the date of acquisition at fair value. Changes in the fair value of a contingent payment over subsequent periods are recognised as changes in the cost of the combination only if they can be classified as changes over the measurement period. All other changes are settled in accordance with the appropriate IFRS regulations. Changes in the fair value of a contingent payment classified as an equity component are not disclosed.

Identifiable assets, liabilities and contingent liabilities of the target that meet the criteria for disclosure under IFRS 3 Business combinations are disclosed at fair value as at the acquisition date, taking into account the exceptions set out in IFRS 3.

For control acquired as a result of several consecutive transactions, shares held as at the date of takeover are measured at fair value and recognised under income or expenses for the period. Amounts accrued under shares in that entity, previously recognised under comprehensive income, are carried over to income or expenses for the period.

Goodwill resulting from the acquisition is recorded under assets and initially disclosed at cost, as the value of the cost of acquisition exceeding the share in net fair value of identifiable assets, liabilities and contingent liabilities. If, upon revaluation, the Group's share in net fair value of identifiable assets, liabilities and contingent liabilities of the target exceeds the cost of the business combination, the surplus is promptly recognised in profit or loss.

3.1.2 Investments in subsidiaries

Subsidiaries are understood as entities controlled by the parent company (inclusive of special purpose entities). It is accepted that control is the ability of a parent entity to influence the financial and operating policies of a subsidiary so as to benefit from its activities.

The financial result of subsidiaries acquired or sold over the course of the year is recognised in the consolidated financial statements from/until the time of their effective acquisition or disposal.

In some cases, adjustments are made in the financial statements of subsidiaries to align the accounting policies applied by a given entity with the policies applied by the remaining Group entities.

Any transactions, balances, income and expenses between related parties under consolidation are subject to full consolidation elimination.

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
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Non-controlling interests are presented separately from shareholders' equity of the owners of the parent company. Non-controlling interests may initially be measured at fair value or in proportion to the fair value share of acquired net assets. One of the above methods may be selected by any business combination. In subsequent periods, the value of non-controlling interests comprises the value initially recognised, adjusted for changes in the value of the entity's shareholders' equity in relation to the shares held. Comprehensive income is allocated to non-controlling interests even if it results in a negative value for these interests.

Changes in the share in a subsidiary not resulting in a loss of control are recognised as equity transactions. The book values of the share of the parent company's owners and of the non-controlling interests are modified accordingly to reflect any changes in the interest structure. The difference between the value by which the value of non-controlling interests is adjusted and the fair value of the payment received or made is recognised directly in shareholders' equity.

In the event of a loss of control over a subsidiary, the gain or loss on the disposal is calculated as the difference between: (i) the total fair value of the payment received and the fair value of the entity's shares remaining with the Parent Company, and (ii) the book value of assets (together with goodwill), liabilities and non-controlling interests. Amounts recognised for the entity being sold under other items of comprehensive income are reclassified to the income or expense for the period. The fair value of assets in the entity remaining with the Parent Company following the disposal is treated as the initial fair value for the purpose of their subsequent disclosure under IAS 39, or initial cost of shares in associates or joint ventures.

3.1.3 Goodwill

Goodwill occurring at acquisition results from a surplus, as at the date of acquisition, of the sum of the payment made, the value of non-controlling interests and the fair value of previously held shares in the target over the Parent Company's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the entity, recognised as at the date of acquisition.

If a negative value occurs, another review is performed of the fair value calculations for each net asset being acquired. If the value remains negative after the review, it is promptly disclosed under profit or loss.

Goodwill is initially disclosed as an asset at cost and then measured at cost less accumulated impairment loss.

For the purpose of testing for impairment, goodwill is allocated to individual cash-generating units that should benefit from synergies resulting from the combination. Cash-generating units to which goodwill is allocated are tested for impairment once a year or more often, if there are reasonable grounds to suspect that impairment has occurred. If the recoverable amount of a cash-generating unit is lower than its carrying amount, impairment loss is first allocated to reduce the carrying amount of goodwill allocated to that unit, and then to other assets of that unit in proportion to the carrying amount of that entity's assets. Impairment loss entered for goodwill cannot be reversed in the next period.

At the time of disposal of a subsidiary or a jointly-controlled entity, the portion of goodwill allocated thereto is taken into account in calculating the profit/loss on the disposal.

Goodwill resulting from acquisition of an entity located overseas is treated as an asset of the entity located overseas and is translated at the exchange rate in effect on the balance sheet date.

3.2. Functional currency and reporting currency

Transactions executed in currencies other than the functional currency are entered on the basis of the exchange rate as at the transaction date. As at the balance sheet date, monetary assets and liabilities in

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

foreign currencies are translated using the average NBP rate as at that date. Non-cash items are carried based on historical cost.

Foreign exchange differences are reported under revenue or expenses of the period when they occur, except for:

- foreign exchange differences regarding construction-in-progress which are included in expenses connected with such construction-in-progress and treated as adjustments of interest expenses of loans in foreign currencies;
- foreign exchange differences arising from cash items of receivables or liabilities to foreign operations with whom no settlements are planned or such settlements are improbable, representing a portion of net investments into a foreign operation and recognised under capital reserve on translation of foreign operations and profit/loss on disposal of a net investment.

The following exchange rates were adopted for the purpose of measuring assets and liabilities as on the balance sheet date and for converting items of the comprehensive income statement:

	31.12.2013		31.12.2012	
Currency	Statement of financial position	Comprehensive income statement	Statement of financial position	Comprehensive income statement
USD	3.0120	–	3.0996	–
EUR	4.1472	4.2110	4.0882	4.1736
CZK	0.1513	0.1620	0.1630	0.1661
RON	0.9262	0.9543	0.9197	0.9377
HUF	0.0140	0.0141	0.0140	0.0145
MXN	0.2302	–	0.2380	–
GBP	4.9828	4.9532	5.0119	5.1444
TRY	1.4122	–	1.7357	–

3.3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits on demand. Other monetary assets are short-term, highly liquid investments that are readily convertible to specific amounts of cash and which are subject to an insignificant risk of changes in value. The Group classifies as cash equivalent investments which are readily convertible to a specific amount of cash, are subject to an insignificant risk of changes in value, and of payment terms of up to three months as of the date of acquisition.

Cash flows are inflows and outflows of cash and other monetary assets. The Group discloses cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Income from interest received on cash and other monetary assets and expenses from interest paid to clients are classified under operating activities, while expenses from interest paid under finance lease are classified under financing activities.

Cash comprises the Group's own cash and clients' cash. Clients' cash is deposited in bank accounts separately from the Group's cash.

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

3.4. Financial assets and liabilities

Investments are entered as at the date of purchase and derecognised from the financial statements as at the date of sale (transactions are recognised as on the date of conclusion) if the agreement requires their delivery on a specific date set forth by the market, and their initial value is measured at fair value. Transaction costs of the acquisition of financial assets and liabilities at fair value through profit or loss are entered under cost for the period, while transaction costs of other types of assets and liabilities are recognised at initial value of these assets and liabilities.

The financial assets are classified as follows:

- financial assets at fair value through profit or loss,
- financial assets held to maturity,
- financial assets available for sale, and
- loans and receivables.

The financial liabilities are classified as follows:

- financial assets at fair value through profit or loss, and
- other financial liabilities.

The classification depends on the nature and designation of the financial assets and liabilities, and is determined
at initial disclosure.

3.4.1. Financial assets at fair value through profit or loss

This group of financial assets includes financial assets held for trading or classified as carried at fair value through profit or loss at initial recognition.

In this category, the Group discloses mainly OTC derivatives and derivatives in stock exchanges, as well as listed stocks.

A financial asset is classified as held for trading if:

- it was acquired principally for the purpose of selling in the short-term; or
- it is part of a specific financial instrument portfolio managed jointly by the Group in accordance with the current and actual model for generating short-term profits; or
- is a derivative instrument not classified and not operating as collateral.

Financial assets not held for trading may be classified at fair value through profit or loss at initial recognition if:

- such classification eliminates or significantly mitigates inconsistencies in measurement or recognition
  under different circumstances; or
- belongs to the Group's financial assets under management and its performance is measured at fair value in accordance with a documented risk or investment management strategy of the Group, under which information on clustering liabilities is provided internally; or

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
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- it is part of a contract comprising one or more embedded derivatives, and under IAS 39 Financial Instruments: Recognition and Measurement, an entire contract (an asset or liability) may be classified as an item carried at fair value through profit or loss.

Financial assets at fair value through profit or loss are disclosed at fair value and the resulting financial profits or losses are entered in the comprehensive income statement. The net profit or loss disclosed in the comprehensive income statement include dividend or interest generated by the given financial asset.

3.4.2. Financial assets held to maturity

Investments and other financial assets, other than derivatives, with established or identifiable cash flows and fixed maturities that the Group intends and is able to hold to maturity are classified as investments held to maturity. They are measured at amortised cost, using the effective interest rate method, less impairment.

In this category, the Group classifies acquired debt securities.

3.4.3. Loans and receivables

Trade receivables, borrowings and other receivables of established or identifiable cash flows, which are not traded in an active market, are classified as loans and receivables. They are measured at amortised cost using the effective interest rate method account being taken of impairment. Interest income is recognised using the effective interest rate save for current receivables, where recognising interest would be negligible.

In this category, the Group classifies principally loans granted and receivables from clients and counter-parties.

3.4.4. Financial assets available for sale

Financial assets available for sale include non-derivative financial assets designated as available for sale or not classified in any of the above categories.

Gains and losses resulting from changes of adjustments to fair value are reported under other comprehensive income, except for impairment write-offs, interest calculated using the effective interest rate and negative and positive foreign exchange differences disclosed directly under income or expenses for the period. In the event of disposal or impairment of an investment, accumulated profit or loss disclosed previously under other comprehensive income is recognised under income or expenses for the period.

Dividend on equity investments available for sale is disclosed under income at the time when the Group obtains the right to such dividend.

3.4.5. Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

For financial instruments available on an active market, the fair value is measured on the basis of quoted market prices. A market is considered to be active if the quoted prices are generally and directly available and represent current and actual transactions concluded between unrelated parties.

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

For instruments for which there is not an active market, the fair value is determined on the basis of valuation models. Valuation models are applied to value vanilla options based on the Black-Scholes pricing equation and to digital options on the basis of distribution of probability of the specific price of the underlying on the expiration date of the option. Such probability distribution is established by means of translation of market-related volatility surface, using the Black-Scholes model equations.

Fair value of a financial instrument at initial recognition is the transaction price, i.e. fair value of price paid or received.

3.4.6. Impairment of financial assets

Financial assets, aside from those carried at fair value through profit or loss, are tested for impairment at every balance sheet date. Financial assets are impaired when there is objective evidence that the events that occurred after the initial recognition of the asset have an adverse impact on the estimated future cash flows of the given.

Concerning listed stock classified as available for sale, a material or long-term decline in prices is considered to be objective evidence of impairment.

For certain categories of financial assets, e.g. trade receivables, specific assets which are not considered past due, are tested for impairment cumulatively. Objective evidence of impairment of a portfolio of receivables includes the Group's experience in collecting receivables; increase in the number of payments past due by 90 days on average and observable changes in the domestic or local economic environment which are connected with delayed payments of receivables.

Regarding financial assets at amortised cost, the amount of an impairment write-off is the difference between the carrying amount of an assets and the current value of estimated future cash flows discounted based on the initial effective interest rate of the given financial assets.

In the case of financial assets at cost, the amount of an impairment write-off is the difference between the carrying amount of an assets and the current value of estimated future cash flows discounted based on the current market rate of return of similar financial assets.

For debt instruments classified as available for sale, if the amount of an impairment write-off decreases in the next reporting period, and its decrease can reasonably be connected with an event that occurred after the impairment, the previous write-off is reversed and recognised under income of the period.

For equity instruments classified as available for sale, impairment write-downs previously carried through profit or loss are not subject to reversal. Any increases of fair value after impairment are disclosed in other comprehensive income.

3.4.7. Derecognition of financial assets from the balance sheet

The Group derecognises a financial asset from the balance sheet only when contractual rights to cash flows generated by the asset expire or when the financial asset with essentially all risks and rewards of ownership of such asset is transferred to another entity. If the Group does not transfer or retain essentially all risks and rewards of ownership of such asset, and continues to control it, the Group recognises the retained share in such asset and related liabilities under payments due, if any. However, if the Group retains essentially all risks and rewards of ownership of the asset transferred, it continues to recognise the relevant asset. At the time of derecognising a financial asset in full, the difference between (i) the carrying amount and (ii) the sum of payment received and any accumulated gains or losses entered under other comprehensive income is recognised under the income or expenses for the period.

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

3.4.8. Financial liabilities at fair value through profit or loss

This group includes financial liabilities held for trading or classified as carried at fair value through profit or loss at initial disclosure.

A financial liability is classified as held for trading if:

- it was incurred primarily for repurchase over a short period of time;
- it is part of a specific financial instrument portfolio managed jointly by the Group in accordance with the current and actual model for generating short-term profits; or
- it is a derivative instrument not classified and not operating as a collateral.

A financial liability not held for trading may be classified at fair value through profit or loss at initial recognition if:

- such classification eliminates or significantly mitigates inconsistencies in measurement or recognition that would occur otherwise; or
- a financial liability of the Group belongs to financial liabilities under management and its performance is measured at fair value in accordance with a documented risk or investment management strategy of the Group, under which information on clustering liabilities is provided internally; or
- it is part of a contract comprising one or more embedded derivatives, and under IAS 39, it is permissible to classify the entire contract (an item of assets or liabilities) as items carried at far value through profit or loss.

Financial liabilities at fair value through profit or loss are disclosed at fair value and the resulting financial profits or losses are entered under income or expenses for the period taking into account interest paid on a given financial liability.

3.4.9. Other financial liabilities

Other financial liabilities, including bank loans and borrowings, are initially carried at fair value less transaction costs.

Later on, they are measured at amortised cost using the effective interest rate method.

The effective interest rate method is used to calculated amortised cost of a liability and to allocate interest costs in the appropriate period. The effective interest rate is a rate effectively discounting future cash payments in the anticipated useful life of a given liability or a shorter period if necessary.

3.4.10. Derecognition of financial liabilities from the balance sheet

The Group derecognises financial liabilities from the balance sheet only if the appropriate liabilities of the Group are performed, invalidated or if they expire. At the time of derecognising a financial liability, the difference between (i) the carrying amount and (ii) the sum of payment made is entered under income or expenses for the period.

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

3.5. Clearings with the Central Securities Depository of Poland (KDPW)

The clearings with the Central Securities Depository of Poland (KDPW) include receivables from the KDPW Group under the clearing fund, margins, under derivatives and other liabilities under services provided to the Group by the KDPW Group.

The KDPW group includes:

- Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW") - responsible for the clearing of transactions entered into in the regulated market and in the alternative trading system, as well as maintenance of the central securities depository;
- KDPW_CCP S.A. („KDPW_CCP") - serves as a clearing house on the basis of the function of a central counter-party, and its task is to clear the transactions entered into in a regulated market and in the alternative trading system, and to operate a system for securing liquidity of clearings.

3.5.1. Receivables from the clearing fund

The Parent Company makes obligatory payments to the clearing fund maintained by KDPW_CCP, which are disclosed as receivables from KDPW. The clearing fund secures appropriate performance of the obligations resulting from the clearings of transactions entered into on the regulated market, executed by KDPW_CCP.

3.5.2. Receivables under margins

As part of the system of securing transaction clearing liquidity, the Parent Company pays margins to KDPW_CCP, which are disclosed as receivables from KDPW. Margins hedge the risk of changes in the value of a portfolio of transactions executed on the spot and forward markets within a specific time horizon.

3.5.3. Contributions to the compensation scheme

The Parent Company makes obligatory payments to the compensation scheme maintained by KDPW which constitute long-term receivables of the compensation scheme participant due from KDPW.

Pursuant to the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws No. 183, Item 1538, as amended, hereinafter, the "Act"), the Parent Company participates in the obligatory compensation scheme. The purpose of the compensation scheme maintained by the KDPW is to secure the assets held in cash accounts and securities accounts of clients of brokerage houses and banks maintaining securities accounts, in case of their loss, in accordance with the principles established in the Act. The compensation scheme is created from payments made by its participants and profits generated on such payments. Payments contributed to the compensation system may be returned to a brokerage house only when it is fully discharged from participation in the system (it winds up its operations specified in the decision on withdrawal, repeal of a permit to provide brokerage services or expiry of such permit) and provided that such funds have not been already used for purposes as specified. On a quarterly basis, KDPW informs system participants of accrued profits.

The Parent Company's payments to the compensation system are reported as expenses, under "Other costs" in the comprehensive income statement.

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

The Parent Company maintains a register of payments to the compensation system and profits generated in connection with managing funds collected by KDPW in the compensation scheme in a manner that enables calculation of the balances of payments made and profits accrued.

3.5.4. Clearing fund

In accordance with the applicable regulations, the Parent Company also makes obligatory payments to the clearing system managed by KDPW which ensures appropriate performance of the obligations resulting from transactions entered into on the regulated market and cleared by KDPW.

3.6. Intangible assets

Intangible assets include the Group's assets which do not exist physically, which are identifiable and can be reliably measured, and which will bring economic benefits in the future.

Intangible assets are disclosed initially at cost of acquisition or production. As at the balance sheet date, intangible assets are carried at cost less depreciation and impairment write-offs, if any.

Intangible assets arising as a result of development works are disclosed in the statement of financial position, provided that the following conditions are met:

- from a technical point of view, it is feasible to complete the intangible asset so that it is available for use or sale,
- it is possible to demonstrate the intent to complete the intangible asset and to use and sell it,
- the intangible asset will be fit for use or sale,
- it is known how the intangible asset will generate probable future economic benefits,
- technical and financial resources necessary to complete development works and its use or sale will be provided,
- it is possible to reliably measure the expenditures attributable to the intangible asset during its development.

The expenditures attributable to the intangible asset during its development and expenditures that do not meet the above criteria are disclosed as expenses in the comprehensive income statement as on the date they were incurred.

Depreciation of intangible assets is carried out on the basis of rates reflecting their estimated useful lives. The Group has no intangible assets with an indefinite useful life. The straight-line method is applied to depreciate intangible assets with a definite useful life. The useful life of the respective intangible assets is as follows:

Type	Depreciation period
Software licenses	5 years
Intangible assets manufactured internally	5 years

Intangible assets are tested for impairment, whenever there is an indication of impairment, however with regard to intangible assets in the period of realisation, a potential impairment of defined at each balance sheet date. Effects of impairment and of depreciation of intangible assets are disclosed under operating expenses.

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
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Intangible assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

3.7. Property, plant and equipment

Property, plant and equipment include items of property, plant and equipment as well as expenses for property, plant and equipment under construction that the company intends to use in connection with its operations and for administration purposes, in the period of over 1 year, and which will bring economic benefits in the future. Expenditures for property, plant and equipment include actual capital expenditures, as well as expenditures for future supplies of equipment and services connected with developing items of property, plant and equipment (prepayments made). Property, plant and equipment include significant specialist spare parts which are elements of a tangible asset.

Property, plant and equipment and expenses for property, plant and equipment under construction are initially disclosed at cost of acquisition or production. Significant components are also treated as separate items of property, plant and equipment. As at the balance sheet date, property, plant and equipment is carried at cost less depreciation and impairment write-offs, if any.

Depreciation of property, plant and equipment, including their components, is carried out on the basis of rates reflecting their estimated useful lives, and starts in the month following the month they are accepted for use. Useful life estimates are reviewed on an annual basis. The straight-line method is applied to depreciate property, plant and equipment. The useful life of the respective items of property, plant and equipment is as follows:

Type	Depreciation period
Computers	3 years
Vehicles	5 years
Office furniture and equipment	5 years

Assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items and disclosed in the comprehensive income statement.

3.8. Lease

Lease is classified as finance lease if, under an agreement, substantially all potential profits and risk from holding a leased object is transferred to the lessee. All other types of lease are treated as operating lease.

Assets used under finance lease agreements are treated as the Group's assets and measured at fair value at the time of acquisition, but no higher than the current value of the minimum lease payments. The liability to the lessor is disclosed in the statement of financial position, under "Other liabilities".

Lease payments are divided into the interest portion and reduction of the lease liability to ensure that the interest rate on the remaining liability is constant. Finance costs are entered directly in the comprehensive income statement unless they can be directly ascribed to appropriate assets. In such cases, they are

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
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capitalised in accordance with the Group's accounting policies concerning debt service costs. Contingent lease payments are entered under expenses at the time they were incurred.

Payments under operating lease are reported as expenses of the period, using the straight line method, over the term of lease, save for cases where another systematic settlement basis is more representative for the time pattern governing consumption of economic benefits resulting from leasing a given asset. Contingent operating lease payments are entered under expenses at the time they were incurred.

If there were special incentives to enter into an operating lease agreement, they are recognised as liabilities. Aggregate benefits connected with such incentives are disclosed as a decrease of rent expenses, using the straight-line method, except for cases where another consistent basis is more representative of the time pattern governing consumption of economic benefits resulting from leasing a given asset.

3.9. Impairment of tangible and intangible assets except goodwill

As at each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets for indications of impairment. If such indications are identified, the Group estimates the recoverable amount of a given asset in order to determine the potential write-down thereon. When an asset does not generate cash flows that are largely independent of those from other assets, an analysis is carried out for the Group's cash-generating assets to which a given asset belongs. Where it is possible to specify a reliable and uniform allocation basis, the Group's tangible assets are allocated to the relevant cash-generating units or the smallest clusters of cash-generating units for which such reliable and uniform allocation bases can be established.

For intangible assets with an indefinite useful life, an impairment test is performed yearly and whenever there are any indications of potential impairment.

Recoverable amount is calculated as the higher of: fair value less the cost of sale or value-in-use. The latter value represents the current value of estimated future cash flows discounted using the discount rate before tax taking into account the current market time value of money and the asset-specific risk.

If the recoverable amount is lower than the carrying amount of an asset (or a cash-generating unit), the carrying amount of the asset or the unit is decreased to the recoverable amount. Impairment loss is recognised promptly as the cost of the period when it occurred.

If the impairment loss is then reversed, the net value of an asset (or a cash-generating unit) is increased to the newly estimated recoverable amount, however no higher than the carrying amount of the assets that would be established had the impairment loss of an asset / cash-generating unit not been recognised in the preceding years. A reversal of impairment losses is disclosed promptly in the comprehensive income statement.

3.10. Provisions for liabilities

Provisions for liabilities are established when the Group has an existing legal or constructive obligation connected with past events and it is probable that performance of this obligation will result in an outflow of funds representing economic benefits, and the amount of the liability can be reliably assessed, although the amount or maturity of the liability are not certain.

The amount of the provision recognised reflects the most accurate estimates possible of the amount required to settle the current liability as at the balance sheet date, taking into account risk and uncertainty connected with the liability. In the event of measuring a provision using the estimated cash flow method necessary to settle the current liability, its carrying amount reflects the current value of such cash flows.

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ul. Ogrodowa 58
00-876 Warsaw
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If it is probable that some or all of the economic benefits required to settle a provision can be recovered from a third party, such receivable will be recognised as an asset, provided that the probability of recovery is sufficiently high and can be reliably assessed.

3.10.1 Onerous contracts

Current liabilities under onerous contracts are disclosed as provisions. A contract entered into by the Group is considered to be onerous if it involves inevitable costs of performance of contractual obligations whose value exceeds the value of economic benefits expected under the contract.

3.11. Shareholders' equity

Shareholders' equity includes capitals and funds established in compliance with the mandatory legal regulations, i.e. applicable laws and the statute. Retained profit is also disclosed under equity. Share capital is disclosed in the amount set out in the Parent Company's Statute. Unregistered payments to the share capital are disclosed under the Parent Company's shareholders' equity and reported in the nominal amount of the payment received.

3.12. Clients' financial instruments and nominal values of transactions on derivatives (off-balance sheet items)

Off-balance sheet items include:

- nominal values of derivatives in transactions executed with clients and brokers in the OTC market,
- values of financial instruments of the Group's clients, acquired on the regulated stock exchange market and deposited in the accounts of the Group's clients.

3.13. The result of operations on financial instruments

The result of operations on financial instruments covers all realised and unrealised income and expenses connected with trading in financial instruments, including dividend, interest and FX rate differences. The result of operations on financial instruments is calculated as the difference between the value of the instrument at the sale price and the purchase price.

The result of operations on financial instruments is composed of the following items:

- Result on financial assets held for trading: result on financial instruments in transactions with clients and brokers;
- The result on financial assets held to maturity: result on debt securities (interest result calculated using the effective interest rate method);
- Gains from the sale of investments in a subsidiary.

3.14. Income and expenses from fees and charges

Income on fees and charges includes brokerage fees and other charges against financial services charged to clients, and is disclosed at the date when the client enters into a given transaction.

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
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Expenses under fees and charges are connected with financial brokerage services acquired by the Group, and disclosed at the date when the services were provided.

3.15. Cost of employee benefits

Short-term employee benefits, including payments of specific contributions to benefit schemes, are disclosed in the period when the Company receives the given benefit from the employee, and in case of profit distribution or bonus payments, when the following conditions are met:

- the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For paid leave benefits, employee benefits are recognised to the extent of accumulated paid leave, at the time of performance of work that increases the entitlement to future paid absences (provision for unused holidays). Non-accumulating paid absences are recognised when the absences occur.

Post-employment benefits in the form of benefit schemes (retirement severance pays) and other long-term benefits (length of service bonuses, etc.) are determined using the projected personal right method, with actuarial valuation performed at each balance sheet date. Actuarial gains and losses are disclosed in full in the comprehensive income statement. Past service costs are recognised promptly to the extent in which they pertain to benefits already gained, and in other cases amortised with the straight line method for the average period after which such benefits are gained.

Besides, the Company offers the share options scheme for the key employees, who received the right to shares before 2012, constituting a payment programme in the form of shares settled in equity instruments. The costs of services rendered by the employees in return for the rights granted are included in the comprehensive income statement in correspondence with the equity (IFRS 2) in the period of rights acquisition.

Pursuant to the requirements of the Regulation of the Minister of Finance of 2 December 2011 on the principles of defining the policy of variable remuneration elements for the management staff by brokerage houses, starting from 2013, the Company applies the policy of variable remuneration elements for the persons occupying key positions. Benefits granted to the employees within the framework of the programme of variable remuneration elements are granted in cash - 50 per cent and in the form of the financial instruments whose value is related to the Company's financial standing - 50 per cent. The part of benefits granted in the form of the financial instruments whose value is related to the Company's financial standing, is paid in cash within five years after the date of granting. The provision for employee benefits due to variable remuneration elements is recognised in accordance with IAS 19 in the comprehensive income statement in "Employee benefits and remunerations".

3.16. Financial revenues and expenses

Financial revenue includes interest income on funds invested by the Group. Financial costs consist of interest costs paid to clients, interest on finance lease paid and other interest on liabilities.

Interest income and costs are disclosed in profits or losses of the current period, using the effective interest rate method.

Dividend income is disclosed at the time when the shareholders' right to obtain such dividend is established.

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
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Financial revenues and expenses include also gains and losses arising from foreign exchange rate differences, disclosed in net amounts.

3.17. Tax

The entity's income tax comprises current tax due and deferred tax.

3.17.1 Current tax

Current tax liability is calculated on the basis of the tax result (taxable base) for a given financial year. The tax profit (loss) is different from the accounting net profit (loss) because is does not include non-taxable income and non-deductible expenses. Tax expenses are calculated on the basis of tax rates in force in a given financial year and pursuant to tax regulations of the countries where the branches of the Parent Company and its subsidiaries are located.

3.17.2 Deferred income tax

Deferred tax is calculated with the balance sheet method, based on differences between the carrying amounts of assets and liabilities and corresponding tax values used to calculate the tax basis.

Deferred tax liability is established on all taxable positive temporary differences, while deferred tax assets are recognised up to the probable amount of reduction of future taxable profit by recognised deductible temporary differences and tax losses or credits that the Company may use.

The value of deferred tax assets is assessed as on each balance sheet date, and if the expected future taxable profits are not be sufficient to realise an asset or its portion, a write-down will be performed.

Deferred tax is calculated based on tax rates that will be applicable when the asset is realised or the liability becomes due. In the statement of financial position, deferred tax is disclosed upon set-off to the extent that it applies to the same tax residency.

3.17.3 Current and deferred tax for the current reporting period

Current and deferred tax is disclosed in the comprehensive income statement, except for the cases when it pertains to items that credit or debit other comprehensive income directly, because then the tax is also disclosed in other comprehensive income statement, or when it is a result of an initial calculation of a business combination.

4. Material estimates and valuations

In order to prepare its financial statements in accordance with the IFRS, the Group has to make certain estimates and assumptions that affect the amounts disclosed in the financial statements. Estimates and assumptions subject to day-to-day evaluation by the Group's management are based on experience and other factors, including expectations as to future events that appear justified in a given situation. The results are a basis for estimates of carrying amounts of assets and liabilities. Although the estimates are based on best knowledge regarding the current conditions and actions taken by the Group, actual results may differ from the estimates. Adjustments to estimates are recognised during the reporting period in which the adjustment was made provided that such adjustment refers only to the given period or in

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ul. Ogrodowa 58
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subsequent periods if the adjustment affects both the current period and subsequent periods. Presented below are the most important areas for which the Group makes estimates.

4.1. Impairment of assets

As at each balance sheet date, the Group determines whether there are any indications of impairment of a given financial asset or group of financial assets. In particular, the Group tests its past due receivables for impairment and writes down the estimated amount of doubtful and uncollectible receivables.

4.2. Deferred income tax assets

At each balance sheet date, the Company assesses the likelihood of settlement of unused tax credits with the estimated future taxable profit, and recognises the deferred tax asset only to the extent that it is probable that future taxable profit will be available against which the unused tax credits and unused tax credits can be utilised.

4.3. Fair value measurement

Information on estimates relative to fair value measurement is presented in Note 34 – Risk management.

4.4. Other estimates

Provisions for liabilities connected with retirement, pension and death benefits are calculated using the actuarial method by an independent actuary as the current value of the Group's future liabilities to employees, based on their employment and salaries as at the balance sheet date. Calculation of the provision amounts is based on a number of assumptions, regarding both macroeconomic conditions and employee turnover, risk of death and others.

Provision for unused holidays is calculated on the basis of estimated payment of holiday benefits, based on the number of unused holidays, and remunerations as at the balance sheet date.

Provisions for legal risk are calculated based on the estimated amount of outflow of cash in the case when it is probable that such outflow will occur if the given case ends unsuccessfully.

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ul. Ogrodowa 58
00-876 Warsaw
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5. The result of operations on financial instruments

	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Profit (loss) on financial assets held for trading		
CFDs		
Currency CFDs	104,538,171	76,515,056
Commodity CFDs	62,656,919	41,948,645
Index CFDs	64,177,132	39,786,793
Bond CFDs	(144,897)	1,276,211
Stock CFDs	1,982,848	2,703,536
Total CFDs	**233,210,173**	**162,230,241**
Options derivatives		
Currency options	1,073,113	3,315,057
Commodity options	(201,236)	(1,104,962)
Bond options	13,655	3,237
Index options	449,527	468,219
Stock options	(390)	–
Options derivatives	**1,334,669**	**2,681,551**
Stocks and derivatives in the stock exchanges	**(29,569)**	**1,726**
Total profit on financial assets held for trading	**234,515,273**	**164,913,518**
Profit on financial assets held to maturity		
Debt securities	**–**	**58,290**
The result of operations on financial instruments	**234,515,273**	**164,971,808**

6. Income on fees and charges

	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Brokerage fees on operations on financial instruments	2,651,575	3,781,498
Other fees and charges	2,459,498	900,890
Total income from fees and charges	**5,111,073**	**4,682,388**

Brokerage fees on transactions on financial instruments concern in their entirety fees obtained on stock exchange trading on the Warsaw Stock Exchange, on own behalf and on account of the person issuing the instruction. Other fees and charges refer to brokerage services rendered under agreements concluded with other brokers.

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ul. Ogrodowa 58
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7. Salaries and employee benefits

	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Remunerations	(39,610,971)	(30,627,514)
Social insurance and other benefits	(7,541,813)	(5,739,952)
Employee benefits	(1,978,924)	(1,167,227)
Total remunerations and employee benefits	**(49,131,708)**	**(37,534,693)**

8. Other third party services

	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
IT services	(4,117,576)	(2,147,548)
Data base system services	(4,166,844)	(1,556,893)
Market data delivery	(2,872,382)	(2,374,748)
Internet and telecommunications	(2,251,638)	(2,344,638)
Legal and advisory services	(3,145,889)	(2,562,075)
Accounting and audit services	(1,985,078)	(1,407,827)
Postal and courier services	(219,197)	(284,021)
Recruitment	(470,067)	(477,392)
Conferences and trainings	(241,904)	(316,992)
Other third party services	(1,180,763)	(1,494,769)
	(20,651,338)	**(14,966,903)**

9. Commission expenses

	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Fees for introducing brokers	(22,141,759)	(9,299,150)
Stock exchange fees and charges	(1,919,621)	(2,357,304)
Other fees	(1,068,238)	(1,663,777)
Total fee expenses	**(25,129,618)**	**(13,320,231)**

10. Financial revenues

	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Interest income		
Interest on own cash	2,193,263	5,875,478
Interest on clients' cash	2,839,704	3,957,886
Total interest income	**5,032,967**	**9,833,364**
Other finance income	409,079	120,217
Total finance income	**5,442,046**	**9,953,581**

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ul. Ogrodowa 58
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11. Financial expenses

	Year ended	
	31.12.2013 PLN	**31.12.2012 PLN**
Interest expense		
Interest paid to clients	(859,185)	(902,078)
Interest paid under lease agreements	(37,000)	(34,825)
Other interest	(474,432)	(31,872)
Total interest expense	**(1,370,617)**	**(968,775)**
Foreign exchange losses	(4,672,316)	(12,023,636)
Other finance costs	(160,913)	(686,884)
Total finance costs	**(6,203,846)**	**(13,679,295)**

12. Cash and cash equivalents

broken down by type

	31.12.2013 PLN	**31.12.2012 PLN**
In hand	21,039	26,580
In current bank accounts	381,660,814	326,955,600
Short-term bank deposits	31,650,448	67,058,382
Cash and other monetary assets in total	**413,332,301**	**394,040,562**

Cash and cash equivalents own and of clients

	31.12.2013 PLN	**31.12.2012 PLN**
Clients' cash and other monetary assets	245,120,219	205,492,733
Own cash and other monetary assets	168,212,082	188,547,829
Cash and other monetary assets in total	**413,332,301**	**394,040,562**

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13. Financial assets held for trading

	31.12.2013 PLN	31.12.2012 PLN
CFDs		
Currency CFDs	25,232,141	16,265,323
Commodity CFDs	10,866,483	10,279,637
Index CFDs	32,793,021	14,318,844
Bond CFDs	50,539	204,445
Stock CFDs	1,174,326	1,592,876
	70,116,510	**42,661,125**
Options derivatives		
Currency options	1,416,284	1,693,748
Commodity options	3,481	30,967
Index options	4,590	1,206
Options derivatives	**1,424,355**	**1,725,921**
Total financial assets held for trading	**71,540,865**	**44,387,046**

14. Loans granted and other receivables

	31.12.2013 PLN	31.12.2012 PLN
Gross receivables from clients	7,051,629	4,619,737
Impairment write-downs of receivables	(922,084)	(319,719)
Total receivables from clients	**6,129,545**	**4,300,018**
Receivables from KDPW		
Receivables from the clearing fund	3,022,299	4,615,345
Receivables under margins	1,205,611	449,656
Total receivables from KDPW	**4,227,910**	**5,065,001**
Loans granted to associates	27,298,445	27,818,069
Other receivables	2,990,217	6,540,921
Impairment write-downs of receivables	(124,269)	(124,269)
Total other receivables	**40,521,848**	**43,599,740**

Movements in impairment write-downs of receivables

	31.12.2013 PLN	31.12.2012 PLN
Impairment write-downs of receivables - at the beginning of the reporting period	**(443,988)**	**(308,339)**
establishment of write-downs	(602,364)	(140,777)
use	–	5,128
Impairment write-downs of receivables - at the end of the reporting period	**(1,046,352)**	**(443,988)**

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
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15. Intangible assets

Intangible assets in the period from 1 January 2013 to 31 December 2013

	Licenses	Intangible assets manufactured internally	Prepayments for intangible assets	TOTAL
Gross value as at 1 January 2013	**3,466,097**	**1,144,487**	**6,967,374**	**11,577,958**
Additions	468,078	–	(16,589)	451,489
Adoption for use	393,600	11,446,041	(6,951,021)	4,888,620
Sale and liquidation	(169,242)	–	–	(169,242)
Net foreign exchange differences	(45,357)	–	236	(45,121)
Gross value as at 31 December 2013	**4,113,176**	**12,590,528**	**–**	**16,703,704**
Depreciation as at 1 January 2013	**(2,126,353)**	**(114,449)**	**–**	**(2,240,802)**
Depreciation	(562,499)	(1,103,907)	–	(1,666,406)
Sale and liquidation	105,720	–	–	105,720
Net foreign exchange differences	26,541	–	–	26,541
Depreciation as at 31 December 2013	**(2,556,591)**	**(1,218,356)**	**–**	**(3,774,947)**
Net book value as at 1 January 2013	**1,339,744**	**1,030,038**	**6,967,374**	**9,337,156**
Net book value as at 31 December 2013	**1,556,585**	**11,372,172**	**–**	**12,928,757**

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ul. Ogrodowa 58
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+48 222 019 570
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Intangible assets in the period from 1 January 2012 to 31 December 2012

	Licenses	Intangible assets manufactured internally	Prepayments for intangible assets	TOTAL
Gross value as at 1 January 2012	**2,978,991**	**-**	**2,516,598**	**5,495,589**
Additions	520,520	-	5,595,263	6,115,783
Adoption for use	-	1,144,487	(1,144,487)	-
Value adjustments	14,564	-	-	14,564
Sale and liquidation	-	-	-	-
Net foreign exchange differences	(47,978)	-	-	(47,978)
Gross value as at 31 December 2012	**3,466,097**	**1,144,487**	**6,967,374**	**11,577,958**
Depreciation as at 1 January 2012	**(1,444,760)**	**-**	**-**	**(1,144,760)**
Depreciation	(701,636)	(114,449)	-	(816,085)
Value adjustments	3,479		-	3,479
Sale and liquidation	-	-	-	-
Net foreign exchange differences	16,564		-	16,564
Depreciation as at 31 December 2012	**(2,126,353)**	**(114,449)**	**-**	**(2,240,802)**
Net book value as at 1 January 2012	**1,534,231**	**-**	**2,516,598**	**4,050,829**
Net book value as at 31 December 2012	**1,339,744**	**1,030,038**	**6,967,374**	**9,337,156**

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ul. Ogrodowa 58
00-876 Warsaw
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www.xtb.pl

16. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2013 to 31 December 2013

	Computer sets	Other property, plant and equipment	Property, plant and equipment under construction	Prepayments for tangible fixed assets	TOTAL
Gross value as at 1 January 2013	**5,386,066**	**4,880,688**	**122,624**	**22,347**	**10,411,725**
Additions	1,440,043	1,622,002	410,657	(22,505)	3,450,197
Under financial lease	–	126,961	–	–	126,961
Sale and liquidation	(400,703)	(712,866)	–	–	(1,113,569)
Net foreign exchange differences	9,579	6,947	128	158	16,812
Gross value as at 31 December 2013	**6,434,985**	**5,923,732**	**533,409**	**–**	**12,892,126**
Depreciation as at 1 January 2013	**(3,851,445)**	**(2,900,381)**	**–**	**–**	**(6,751,826)**
Depreciation	(1,111,483)	(1,110,349)	–	–	(2,221,832)
Reclassification	351,378	419,140	–	–	770,518
Net foreign exchange differences	(2,793)	5,676	–	–	2,883
Depreciation as at 31 December 2013	**(4,614,343)**	**(3,585,914)**	**–**	**–**	**(8,200,257)**
Net book value as at 1 January 2013	**1,534,621**	**1,980,307**	**122,624**	**22,347**	**3,659,899**
Net book value as at 31 December 2013	**1,820,642**	**2,337,818**	**533,409**	**–**	**4,691,869**

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ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
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Property, plant and equipment in the period from 1 January 2012 to 31 December 2012

	Computer sets	Other property, plant and equipment	Property, plant and equipment under construction	Prepayments for assets under construction	TOTAL
Gross value as at 1 January 2012	**4,446,345**	**4,700,742**	**32,321**	**–**	**9,179,408**
Additions	1,134,332	460,888	122,624	22,347	1,740,191
Under financial lease	–	463,979	–	–	463,979
Transfer from property, plant and equipment under construction	(87,459)	119,780	(32,321)	–	–
Sale and liquidation	(37,839)	(731,076)	–	–	(768,915)
Value adjustments	5,304	–	–	–	5,304
Net foreign exchange differences	(74,617)	(133,625)	–	–	(208,242)
Gross value as at 31 December 2012	**5,386,066**	**4,880,688**	**122,624**	**22,347**	**10,411,725**
Depreciation as at 1 January 2012	**(2,814,447)**	**(2,462,639)**	**–**	**–**	**(5,277,086)**
Depreciation	(1,154,472)	(1,037,115)	–	–	(2,191,587)
Sale and liquidation	42,869	(42,869)	–	–	–
Reclassification	9,545	571,757	–	–	581,302
Value adjustments	18,645	–	–	–	18,645
Net foreign exchange differences	46,415	70,485	–	–	116,900
Depreciation as at 31 December 2012	**(3,851,445)**	**(2,900,381)**	**–**	**–**	**(6,751,826)**
Net book value as at 1 January 2012	**1,631,898**	**2,238,103**	**32,321**	**–**	**3,902,322**
Net book value as at 31 December 2012	**1,534,621**	**1,980,307**	**122,624**	**22,347**	**3,659,899**

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17. Liabilities to clients

	31.12.2013 PLN	31.12.2012 PLN
Liabilities to clients	246,057,189	210,840,727

Liabilities to clients are connected with transactions concluded by the clients (including cash deposited in the clients' accounts and concluded but unsettled transactions for securities at the Warsaw Stock Exchange).

18. Financial liabilities held for trading

	31.12.2013 PLN	31.12.2012 PLN
CFDs		
Currency CFDs	1,339,493	2,208,267
Commodity CFDs	1,154,632	1,187,156
Index CFDs	6,911,523	2,117,511
Stock CFDs	749,201	263,103
Bond CFDs	29,016	12,833
Total CFDs	**10,183,865**	**5,788,870**
Options derivatives		
Currency options	1,243,472	1,566,963
Commodity options	2,892	22,002
Index options	48,979	19,304
Options derivatives	**1,295,343**	**1,608,269**
Financial liabilities held for trading in total	**11,479,208**	**7,397,139**

19. Other liabilities

	31.12.2013 PLN	31.12.2012 PLN
Liabilities to brokers	2,794	200,800
Liabilities to Central Securities Depository of Poland	97,922	226,822
Statutory liabilities	2,746,649	2,106,818
Liabilities due to employees	463,792	502,759
Liabilities under financial lease	267,825	374,812
Provisions for other employee benefits	10,016,100	3,677,141
Trade liabilities	10,818,727	5,528,122
Total other liabilities	**24,413,809**	**12,617,274**

Liabilities under employee benefits include estimates, as at the balance sheet date, of bonuses for the reporting period, including from the programme of variable remuneration elements, as well as the

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provision for unused holiday leave, established in the amount of projected benefits, which the Group is obligated to pay in case of payment of holiday equivalents.

Programme of variable remuneration elements

Pursuant to the Variable Remuneration Elements policy applied by the Group, the employees of the Group on the top management positions receive variable remuneration paid in cash.

The value of provisions for employee benefits includes 50 per cent of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 50 per cent of the value based on financial instruments, paid in the years 2014-2017.

In 2013, Employee benefits and remunerations include the provision for variable remuneration elements in the amount of PLN 2,687,423. In 2012, the provision for variable remuneration elements amounted to PLN 20,000.

20. Liabilities under financial lease

The Group entered into finance lease contracts regarding passenger cars. After expiry of the lease contract, the Group has the option to acquire the leased vehicles for a price set in the contract.

Liabilities under financial lease

	Minimum lease payments 31.12.2013 PLN	Current value of minimum lease payments 31.12.2013 PLN	Minimum lease payments 31.12.2012 PLN	Current value of minimum lease payments 31.12.2012 PLN
up to 1 year	194,097	177,577	242,405	217,938
1 - 5 years	107,839	90,248	161,474	156,874
Total liabilities under lease	**301,936**	**267,825**	**403,879**	**374,812**

Net carrying amount of items of property, plant and equipment under finance lease

	31.12.2013 PLN	31.12.2012 PLN
Tangible assets under financial lease	566,769	810,641

21. Operating lease agreements

The Group is a party to office space lease agreements classified as operating lease. Minimum payments under irrevocable operating lease agreements are as follows:

Future lease liabilities by maturity date

	31.12.2013 PLN	31.12.2012 PLN
Less than 1 year	3,787,731	3,296,049
1-5 years	6,625,415	6,189,858
Over 5 years	163,669	483,728
Total minimum payments under irrevocable operating lease agreements	**10,576,815**	**9,969,635**

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In 2013, the Group covered rent payments under the agreements mentioned above, in the amount of PLN 4,922,134. The rent fees in 2012 amounted to PLN 3,578,451.

22. Provisions for liabilities and contingent liabilities

22.1. Provisions for liabilities

	31.12.2013 PLN	31.12.2012 PLN
Provision for retirement benefits	168,698	105,400
Provision for legal risk	439,214	400,686
Total provisions	**607,912**	**506,086**

Provisions for retirement benefits are established on the basis of an actuarial valuation carried out in accordance with the applicable regulations and agreements connected with obligatory retirement benefits to be covered by the employer.

Provisions for legal risk include expected amounts of payments to be made in connection with disputes in which the Group is involved.

movements in provisions in the period from 1 January 2013 to 31 December 2013

	Value as at 31.12.2012 PLN	Increases	Decreases		Value as at 31.12.2013 PLN
			Use	Reversal	
Provision for retirement benefits	105,400	68,762	5,464	–	168,698
Provision for legal risk	400,686	38,528	–	–	439,214
Total provisions	**506,086**	**107,290**	**5,464**	–	**607,912**

22.2. Contingent liabilities

The Parent Company is a defendant in six cases with the total maximum value of the matter of dispute up to EUR 1,100,000. Based on the conducted assessment of the risk of failure and outflow of financial resources, the Group did not establish reserves for the above cases.

Dispute with the highest value: EUR 500,000. The case brought by a legal entity jointly and severally against the Parent Company and natural persons. The proceeding before the arbitration court ended with positive judgement for the Parent Company. Presently, the case is pending in the 1st instance in the Regional Court. Next trial is scheduled for 10 April 2014. In the Group's opinion, similarly as in the case of the decision made by the arbitration court, the suit will be dismissed.

The second dispute with the highest value: between EUR 300,000 and EUR 500,000. The case brought by a former employee of a foreign branch of the Parent Company. At the trial in December, the court postponed the proceeding to 23 September 2014. The potential risk of failing in the dispute cannot be estimated at this stage, because the parties did not present their full procedural positions. Because of complex character of the dispute and the claim, the Group cannot reliably estimate the risk and value of the possible reserve.

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23. Equity capital

Share capital structure

Series/ issue	Number of shares	Nominal value of shares PLN	Nominal value of issue PLN
Series A, B, C, D	321,599	18.25	5,869,182

All shares in the Parent Company have the same nominal value, are fully paid for, and confer the same voting and profit-sharing rights. No preference is attached to any share series. As at 31 December 2013, the number of shares did not change in relation to the number of shares as at 31 December 2012.

Shareholding structure of the parent company

	31.12.2013			31.12.2012		
	number of shares	nominal value of shares	share	number of shares	nominal value of shares	share
XXZW Investment Group Limited	259,945	4,743,996	80.83%	259,945	4,743,996	80.83%
Systexan Limited	61,104	1,115,148	19.00%	61,104	1,115,148	19.00%
Other shareholders	550	10,038	0.17%	550	10,038	0.17%
TOTAL	**321,599**	**5,869,182**	**100.00%**	**321,599**	**5,869,182**	**100.00%**

Other capitals

Other capitals consist of:

- supplementary capital, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Parent Company's operations, up to the amount of at least one third of the share capital, and from surplus of the issue price over the nominal price in the amount of PLN 69,651,378,
- reserve capital, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Group or payment of dividend,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations.

24. Profit distribution and dividend

Pursuant to the decision of the General Meeting of Shareholders of the Parent Company, the 2012 net profit of PLN 41,950,840 was used to pay out dividend in the amount of PLN 31,463,130 (PLN 98 per share), to increase the stock capital in the amount of PLN 106,394 and to increase the reserve capital in the amount of PLN 10,381,316. Besides, the dividend on retained profits allocated in the reserve capital in the amount of PLN 63,536,870 was paid (PLN 198 per share).

Pursuant to the decision of the General Meeting of Shareholders of the Parent Company of 17 March 2014, the entire 2013 net profit of PLN 86,303,529 was allocated for increase of the reserve capital.

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25. Income tax

Income tax disclosed in the current period's profit or loss

	Year ended	
	31.12.2013 PLN	**31.12.2012 PLN**
Income tax - current portion		
Income tax for the reporting period	(20,180,272)	(10,124,314)
Income tax - deferred portion		
Occurrence/ reversal of temporary differences	(4,599,159)	726,978
Total tax expenses	**(24,779,431)**	**(9,397,336)**

Reconciliation of the actual tax burden

	31.12.2013 PLN	**31.12.2012 PLN**
Profit before tax	**106,077,503**	**49,934,213**
Income tax based on the applicable tax rate of 19%	**(20,167,275)**	**(9,487,500)**
Difference resulting from application of tax rates applicable in other countries	(465,532)	(42,734)
Non-taxable revenue	97,360	222,106
Non-deductible expenses	(1,331,131)	(1,433,295)
Tax loss for the reporting period not disclosed in the deferred tax	(1,419,277)	(899,548)
Application of tax losses not disclosed in deferred tax	–	625,709
Realisation of tax losses for the preceding periods/write-off of tax losses realised in the previous years	(1,555,250)	2,014,372
Other items affecting the tax burden amount	61,675	(396,446)
Total tax expenses	**(24,779,431)**	**(9,397,336)**

26. Deferred income tax

26.1. Undisclosed deferred income tax assets

Deferred income tax was not disclosed with respect to the items below:

	31.12.2013 PLN	**31.12.2012 PLN**
Tax loss	4,180,239	1,840,904

As at 31 December 2013, the Company established deferred tax assets with regard to tax losses to be settled in future periods in the total amount of PLN 9,350,674. The management believes that due to dynamic development of business and growth of sales in foreign markets, the Group may generate taxable income in future periods, and tax losses will be settled accordingly.

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At the same time, taking into account the risks connected with further business development in foreign markets, the Parent Company management has doubts relative to certain tax credits of foreign operations and whether their respective profits will make it possible to settle the negative temporary differences. Therefore, no deferred tax assets connected with such tax credits in the amount of PLN 4,157,746 as at 31 December 2013 were taken into account. Besides, in relation to liquidation of the branch in Hungary, no deferred tax assets connected with such tax credits in the amount of PLN 589,440 were taken into account.

For unused tax losses as at 31 December 2013 in the total amount of PLN 4,157,746, the right to settle PLN 87,512 expires in 2016, the right to settle PLN 56,582 expires in 2017, the right to settle PLN 244,799 expires in 2018, the right to settle PLN 106,905 expires in 2019, the right to settle PLN 122,881 expires in 2020, and the remaining portion may be settled over an indefinite time. Indefinite period of settling tax losses arises from tax regulations of the countries, where the Company runs its activities through agency of foreign branches.

26.2. Deferred income tax assets and deferred income tax provision

Change in temporary differences for the year ended 31 December 2013

	As at 01.01.2013	Disclosed as profit or loss	As at 31.12.2013
Temporary differences concerning deferred tax assets:			
Cash and cash equivalents	139,417	409,504	548,921
Property, plant and equipment	209,755	(3,011)	206,744
Loans granted and other receivables	573,433	(132,119)	441,314
Liabilities to clients	49,035	(49,035)	–
Financial liabilities held for trading	1,405,457	775,593	2,181,050
Provisions for liabilities	344,320	1,260,442	1,604,762
Other liabilities	25,497	(20,852)	4,645
Tax losses of previous periods to be settled in future periods	12,662,692	(393,721)	11,653,331
TOTAL	**15,409,606**	**1,846,801**	**16,640,767**

	As at 01.01.2013	Disclosed as profit or loss	As at 31.12.2013
Temporary differences concerning items of deferred tax liability:			
Cash and cash equivalents	2,018,669	3,642	2,022,311
Financial assets held for trading	8,433,539	5,159,225	13,592,764
Financial assets held to maturity	–	28,169	28,169
Loans granted and other receivables	182,860	(60,580)	122,280
Property, plant and equipment	1,490,534	699,864	2,190,398
TOTAL	**12,125,602**	**5,830,320**	**17,955,922**
Total deferred tax asset (liability)	**3,284,004**	**(3,983,519)**	**(1,315,155)**

	As at 01.01.2013	Included in equity	As at 31.12.2013
Temporary differences concerning items of deferred tax liability included directly in the equity:			
Separate equity of branches	–	38,539	38,539
Total deferred tax reserve through equity	**–**	**38,539**	**38,539**

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Change in temporary differences for the year ended 31 December 2012

	As at 01.01.2012	Disclosed as profit or loss	As at 31.12.2012
Temporary differences concerning deferred tax assets:			
Cash and cash equivalents	–	139,417	139,417
Property, plant and equipment	23,250	186,505	209,755
Loans granted and other receivables	–	573,433	573,433
Liabilities to clients	23,997	25,038	49,035
Financial liabilities held for trading	855,373	550,084	1,405,457
Provisions for liabilities	103,065	241,255	344,320
Other liabilities	1,095,910	(1,070,413)	25,497
Tax losses to be settled in future periods	9,355,471	3,307,221	12,662,692
TOTAL	**11,457,066**	**3,952,540**	**15,409,606**
Temporary differences concerning items of deferred tax liability:			
Cash and cash equivalents	2,762,691	(744,022)	2,018,669
Financial assets held for trading	6,087,023	2,346,516	8,433,539
Financial assets held to maturity	8,936	(8,936)	–
Loans granted and other receivables	–	182,860	182,860
Property, plant and equipment	41,390	1,449,144	1,490,534
TOTAL	**8,900,040**	**3,225,562**	**12,125,602**
Total deferred tax asset (liability)	**2,557,026**	**726,978**	**3,284,004**

27. Related party transactions

27.1. Parent company

XXZW Investment Group Limited with its registered office in Luxembourg is the key shareholder of the Parent Company. It holds 80.83% of shares and votes in the General Meeting. XXZW Investment Group Limited prepares the consolidated financial statements.

Mr. Jakub Zabłocki is the ultimate parent company for the Group and XXZW Investment Group Limited.

27.2. Figures concerning related party transactions

Value of transactions and balance of receivables and liabilities to related parties

27.2.1 Revenue and receivables

	Transaction summary	31.12.2013 Revenue PLN	31.12.2013 Receivables PLN	31.12.2012 Revenue PLN	31.12.2012 Receivables PLN
Key management of the Company	**Loan agreement**	**280,574**	**27,298,445**	**270,200**	**27,818,069**
Other related parties					
X-Trade Brokers Menkul Degerler A.S.	Brokerage services	11,554	657	9,032,688	1,329,311

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27.2.2 Costs and liabilities

	Transaction summary	31.12.2013 Costs PLN	31.12.2013 Liabilities PLN	31.12.2012 Costs PLN	31.12.2012 Liabilities PLN
Parent company		**–**	**10,816**	**–**	**–**
Other related parties					
X-Trade Brokers Menkul Degerler A.S.	Brokerage services	(16,767,270)	5,996,987	(4,450,880)	1,922,915

* The 'other related parties' category includes the company X-Trade Brokers Menkul Degerler A.S., in which a member of the management board of the parent company holds 99.99% of shares.

27.3. Benefits to Management and Supervisory Board members

	Year ended 31.12.2013 PLN	Year ended 31.12.2012 PLN
Benefits to the Management Board members	(3,282,214)	(4,474,781)
Benefits to the Supervisory Board members	(13,500)	(22,500)
Total benefits to the Management and Supervisory Board members	**(3,295,714)**	**(4,497,281)**

These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 19 of the consolidated financial statements. The value of the element settled in financial instruments in the years 2014-2017 acquired by the members of the Management Board amounts to PLN 1,318,712.

Members of the Management Board of the Parent Company, within the framework of the Options Scheme described in note 27.4 of the financial statements, acquired 702 rights to shares with the total value of PLN 376,871 as at the balance-sheet date.

27.4 Share-based payments

Pursuant to the Shareholders Agreement of the parent company of 28 March 2011, the parent company introduced an incentive scheme for the key employees, who received the right to shares of the parent company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the scheme depends on individual targets set for the employees in relation to the results of the parent company in specific years. The scheme covers the years 2011-2013. For 2011, rights to shares were acquired by three employees in the amount of 485 items, for 2012 one employee acquired rights to shares in the amount of 113 items and for 2013 one employee acquired rights to shares in the amount of 338 items. In total, the employees acquired 936 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462,577. The period of rights acquisition expires in 2014. The shares will be acquired in 2014 based on the participation rules specified in the Options Programme.

For the shares options granted, the fair value of services rendered by the key employees is measured in relation to the fair value of rights granted as at the date of granting. The fair value of rights is determined

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based on option estimation models, which include among others execution price, share price as at the date of granting, expected variability of option value during the programme and other appropriate factors affecting fair value. The parent company assesses the probability of acquiring the rights in the programme, which affects the programme value in the costs for the period.

27.5 Borrowings granted to the Management and Supervisory Board members

As at 31 December 2013, the Parent Company granted a borrowing to the President of the Management Board of the Parent Company in the amount of PLN 27,298,445 with interest (2012: PLN 27,818,069), at an interest rate of 1 per cent p.a. As at 31 December 2013, interest accrued on the borrowing amounted to PLN 642,245 (2012: PLN 386,609). On 30 April 2013, in order to collateralise the borrowing, the borrower deposited a multiple-share certificate for all shares held in X-Trade Brokers Menkul Degerler A.S.

28. Supplementary information and explanations to cash flow statement

28.1. Change in balance of loans granted and other receivables

	Year ended	
	31.12.2013 PLN	31.12.2012 PLN
Change in the balance of loans granted and other receivables	3,077,892	(2,517,785)
Loans granted disclosed under investing activities	(1,767,441)	1,221,070
Change in balance of loans granted and other receivables in the cash flow statement	**1,310,451**	**(1,296,715)**

28.2. Change in balance of other liabilities

	Year ended	
	31.12.2013 PLN	31.12.2012 PLN
Balance sheet change in other liabilities	11,796,535	(8,702,094)
Addition of tangible assets under finance lease	(126,961)	(463,979)
Payments of liabilities under finance lease agreements	233,948	481,833
Change in balance of other liabilities	**11,903,522**	**(8,684,240)**

28.3. Other adjustments

The 'other adjustments' item includes the following adjustments:

	Year ended	
	31.12.2013 PLN	31.12.2012 PLN
Foreign exchange differences on translation of balances of foreign operations	769,933	1,340,177
Foreign exchange differences on translation of movements in tangible and intangible assets	(1,116)	122,756
Change in balance of other liabilities	**768,817**	**1,462,933**

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Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of gross value of tangible and intangible assets of the Group's foreign operations and the difference between the rate applied to estimate the depreciation costs of tangible and intangible assets in the Group's foreign operations, and the rate of translation of depreciation amounts on such assets. This value results from the chart of movements in tangible and intangible assets.

29. Events after the balance-sheet date

On 27 January 2014, the Turkish supervision authority issued a consent for X-Trade Brokers Dom Maklerski S.A. to acquire 100 per cent of shares in X-TRADE BROKERS MENKUL DEĞERLER A.Ş. with its registered office in Turkey. Acquisition of the Turkish company will take place after 4 April 2014. As a result of the transaction settlement, the loan granted to the President of the Management Board (mentioned in note 27.4 of the financial statements) will be repaid in return for the acquired shares of X-TRADE BROKERS MENKUL DEĞERLER A.Ş. by the parent company.

On 22 January 2014, the parent company received a return on capital from the subsidiary xStore Limited with its registered office in Cyprus, in the conducted liquidation process of the company. The liquidation process of the company is presently nearly completed.

On 11 February 2014, the Management Board of the parent company adopted a resolution on acquiring shares in the subsidiary X Open Hub Limited with its registered office in London. In the new issue, the parent company acquired 600,000 new shares (100 per cent) with the total nominal value of GBP 600,000.

On 24 March 2014, Mr. Jakub Zabłocki resigned from the function of the Management Board President and Member. On 25 March 2014, the Extraordinary General Meeting of Shareholders dismissed Mr. Jakub Zabłocki from the function of the Management Board President and Member, appointing Mr. Jakub Malý to the position of the President of the Management Board of the parent company.

30. Clients' financial instruments and nominal values of transactions on derivatives (off-balance sheet items)

30.1. Nominal value of derivatives

	31.12.2013 PLN	31.12.2012 PLN
CFDs		
Currency CFDs	1,128,119,789	1,098,394,898
Commodity CFDs	231,985,869	266,884,870
Index CFDs	766,588,279	393,092,501
Bond CFDs	7,610,499	13,626,096
Stock CFDs	74,019,934	37,637,421
Total CFDs	**2,208,324,369**	**1,809,635,786**
Options derivatives	156,929,492	188,935,507
Total derivatives	**2,365,253,861**	**1,998,571,292**

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The nominal value of instruments presented in the chart above include transactions with clients and brokers. As at 31 December 2013, transactions with brokers represent 5% of the total nominal value of instruments (2012: 6% of the total nominal value of instruments).

30.2. Clients' financial instruments

Presented below is the list of clients' instruments deposited in the accounts of the brokerage house:

	31.12.2013 PLN	31.12.2012 PLN
Listed stocks and rights to stocks registered in clients' securities accounts	118,586,992	77,187,354
Other securities registered in clients' securities accounts	14,373,647	11,586,877
Other financial instruments of clients	13,642,023	3,223,074
Total clients' financial instruments	**146,602,662**	**91,997,305**

31. Items regarding the compensation scheme

Items regarding the compensation scheme

	31.12.2013 PLN	31.12.2012 PLN
1. Contributions made to the compensation scheme		
a) opening balance	918,759	594,006
- increases	*368,180*	*324,753*
b) closing balance	1,286,939	918,759
2. XTB's share in the profits from the compensation scheme	**93,585**	**66,280**

32. Capital management

The Group's principles of capital management are established in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A." of the Parent Company. The document is approved by the Parent Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Parent Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Group and its business environment.

The objective of the capital management policy is to ensure balanced long-term growth for the shareholders and to maintain sufficient capital to enable the Group to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Group's risk profile and prudential regulations, as well as risk-based capital management in view of the operating goals.

Determination of capital-related goals is essential for equity management and serves as a basic reference in the context of capital planning, allocation and contingency plans. The Group establishes capital-related objectives which ensure a stable capital base, achievement of its capital strategy goals (in accordance with its general principles), and also match the Group's risk appetite. To establish its capital-related goals, the

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Group takes into consideration its strategic plans and expected growth of operations as well as external conditions, including the macroeconomic situation and other business environment factors. The capital-related goals are set for a horizon similar to that of the business strategy and are approved by the Management Board.

Capital planning is focused on assessment of the current and future capital requirements of the Group (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Group has prepared contingency plans to be launched in the event of a capital adequacy problem, described in detail in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A."

As part of ICAAP, the Parent Company assesses its internal capital in order to define the overall capital requirement to cover all significant risks in the Group's operations and evaluates its quality. The Parent Company estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Group and taking into account stress test results.

Under the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws of 2005, No. 185, item 1538, as amended), the Parent Company is obligated to maintain the capitals subject to monitoring to cover the higher of the following values:

- total capital requirements calculated in compliance with the Regulation of the Minister of Finance of 18 November 2009 on the scope and detailed rules of calculation of the total capital requirement, including capital requirements, for brokerage houses and establishing thresholds of loans, borrowings and debt securities issued in relation to capitals held (Journal of Laws 2009, No. 204, item 1571, as amended); and
- internal capital estimated in compliance with the Regulation of the Minister of Finance of 23 November 2009 on defining detailed technical and organisational conditions for investment firms and banks, as referred to in Article 70 par. 2 of the Act on Trading in Financial Instruments, and custodian banks and the conditions for internal capital estimation by brokerages (Journal of Laws 2009, No. 204, item 1579, as amended).

The rules of calculation of capitals subject to monitoring are defined in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A." of the Parent Company.

Key values in capital management

	31.12.2013 PLN	31.12.2012 PLN
Capitals subject to monitoring		
Share capital	225,778,056	220,656,067
Value of Tier 2 capital	266,195	(536,607)
Value of Tier 3 capital included in the value of capital subject to monitoring	54,078,883	50,835,341
Items adjusting the consolidated level of capitals subject to monitoring	203,726	234,888
Total capitals subject to monitoring	**280,326,860**	**271,189,689**
Overall capital requirement of the Group	**135,446,731**	**96,165,572**

The mandatory capital adequacy was not breached in the period covered by the financial statements.

The table below presents data on the level of capitals subject to monitoring divided into specific elements of monitored capitals and on the total capital requirement divided into requirements due to specific types

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ul. Ogrodowa 58
00-876 Warsaw
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of risks and the requirement due to exceeding the limit of exposure concentration and the limit of high exposures and the requirements due to fixed costs calculated in accordance with separate regulations together with average monthly values. Average monthly values were calculated as estimation of average values calculated based on statuses at the end of specific months. The amount of share capitals includes net profit for January - November 2013 in the amount audited by a certified auditor pursuant to Article 2 par. 1 pt. 2) letter b) of Appendix No. 12 to the Regulation of the Minister of Finance on the scope and detailed rules of calculation of the total capital requirement, including capital requirements, for brokerage houses and establishing thresholds of loans, borrowings and debt securities issued in relation to capitals held of 18 November 2009 (as amended).

	As at 31.12.2013 PLN	Average monthly value in the period	As at 31.12.2012 PLN
1. Share capitals	225,778,056	192,373,555	220,656,067
1.1. Basic capitals	179,664,382	201,768,199	232,713,542
1.2. Additional items of share capitals	63,176,712	5,264,726	–
1.3. Items decreasing share capitals	17,063,038	14,659,370	12,057,475
2. Value of Tier 2 capital included in the value of capital subject to monitoring	266,195	555,454	(536,607)
3. Value of Tier 3 capital included in the value of capital subject to monitoring	54,078,883	60,975,446	50,835,341
4. Items adjusting the consolidated level of capitals subject to monitoring	203,726	200,860	234,888
I. Level of capitals subject to monitoring	**280,326,860**	**254,105,315**	**271,189,689**
1. Market risk	81,252,221	69,056,680	50,015,944
2. Settlement risk - deliveries and contractor's credit risk	2,352,564	1,346,304	819,397
3. Credit risk	21,174,936	20,081,080	18,069,862
4. Operating risk	30,667,011	28,289,675	27,260,369
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	3,191,979	–
6. Capital requirement due to fixed costs	27,401,827	30,183,572	34,078,015
II. Overall capital requirement	**135,446,731**	**121,965,718**	**96,165,572**

33. Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk

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management policies are formulated in order to identify and measure the risks taken, as well as to establish appropriate limits to mitigate such risk on a regular basis.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Parent Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the Group's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Group's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Group and creating a catalogue of risks, approves policies and procedures of risk and ICAAP management, reviews and approves analyses carried out by owners of specific risks and the Risk Control Department as part of the risk and ICAAP management system within the Group.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of occurrence of new types of risk, significant changes in strategy and operating plans in the Group's external environment, monitors appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls market risk of the Group's own investments, defines the overall capital requirement and estimates internal capital. The Management Board appointed one of its members to be directly responsible for the operations of the Risk Control Department.

The Parent Company's Supervisory Board approves procedures for internal capital estimation, capital management and planning.

33.1. Fair value

33.1.1. Carrying amount and fair value

The chart below compares the carrying amount and the fair value of financial assets and liabilities.

	31.12.2013		31.12.2012	
	Carrying amount PLN	Fair value PLN	Carrying amount PLN	Fair value PLN
Financial assets				
Cash and cash equivalents	413,332,301	413,332,301	394,040,562	394,040,562
Financial assets held for trading	71,540,865	71,540,865	44,387,046	44,387,046
Loans granted and other receivables	40,521,848	40,075,076	43,599,740	43,080,228
Financial liabilities				
Liabilities to clients	246,057,189	246,057,189	210,840,727	210,840,727
Financial liabilities held for trading	11,479,208	11,479,208	7,397,139	7,397,139
Other liabilities	24,413,809	24,413,809	12,617,274	12,617,274

Fair value of Treasury bills classified as financial assets held to maturity is based on market prices. Fair value of loans granted and other receivables is based on measurement of discounted cash flows using the market interest rate.

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Fair value of liabilities under lease classified as "other liabilities" is estimated as equivalent to their carrying amount because of the variable nature of interest rates of lease agreement and fixed market margins of the lessor.

Fair value of other liabilities and liabilities to clients is estimated as close to their carrying amount in view of short-term maturities, up to 3 months.

33.1.2. Fair value hierarchy

The Group discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- **Level 1**: quoted prices (unadjusted) in active markets for the assets or liabilities,
- **Level 2:** input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- **Level 3:** input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs).

	31.12.2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	–	413,332,301	–	**413,332,301**
Financial assets held for trading				
OTC derivatives	–	71,540,865	–	**71,540,865**
Loans granted and other receivables				
Loans granted	–	13,223,403	26,851,673	**40,075,076**
Total assets	–	**498,096,569**	**26,851,673**	**524,948,242**
Financial liabilities				
Liabilities to clients	–	246,057,189	–	**246,057,189**
Financial liabilities held for trading	–	11,479,208	–	**11,479,208**
Other liabilities	–	24,413,809	–	**24,413,809**
Total liabilities	–	**281,950,206**	–	**281,950,206**

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	31.12.2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	–	394,040,562	–	**394,040,562**
Financial assets held for trading				
OTC derivatives	–	44,387,046	–	**44,387,046**
Loans granted and other receivables				
Loans granted	–	15,781,671	27,298,557	**43,080,228**
Total assets	**–**	**454,209,279**	**27,298,557**	**481,507,836**
Financial liabilities				
Liabilities to clients	–	210,840,727	–	**210,840,727**
Financial liabilities held for trading	–	7,397,139	–	**7,397,139**
Other liabilities	–	12,617,274	–	**12,617,274**
Total liabilities	–	**230,855,140**	–	**230,855,140**

In 2012 and 2013 there were no transfers of items between the levels of fair value hierarchy.

The loan granted was estimated as at 31 December 2013 using the current value method with repayment date on 30 June 2014. The calculations used six months interest rate LIBOR USD with 4 per cent margin in the day count convention ACT/ACT.

The impact of adjustments due to credit risk of the contractor, estimated by the Group, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Group. Therefore, the Group does not recognise the impact of unobservable input data used for estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions a the level 3 of the fair value hierarchy.

33.2. Market risk

The Company enters into OTC contracts for differences (CFDs), vanilla options and digital options. The Group may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

Taking into account the underlying instruments, the following risks can be identified:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Risk of fluctuations of commodity prices
- Risk of fluctuations of equity investment prices

The Group's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Group's practice in this area is consistent with the following principles:

- the Management Board defines in the investment strategy short-, medium-, and long-term investment objectives, rules of establishment and methods of management of an investment portfolio, amount of funds to be invested, as well as the rules and mechanisms of hedging against excesses of the permitted exposure concentration limits and large exposures. The resolution is approved by the Supervisory Board.

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As part of internal procedures, the Company applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, a maximum value of a single instruction related to equity-based instruments. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews the limit usage on a regular basis, and controls the hedges entered into.

- Since 1 July 2011, transactions on plain vanilla options are secured on a "back-to-back" basis (a transaction that mirrors the first one is each time executed at the same time) with market counter-parties.

33.2.1. Currency risk

The Group enters into transactions principally in the FX market. Aside from transactions where the FX rate is an underlying instrument, the Group also offers instruments denominated in foreign currencies. Also, the Group manages the market risk generated by assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations. The carrying amount of the Group's assets and liabilities in foreign currencies as at the balance sheet date is presented below: Values for all base currencies are expressed in PLN:

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ul. Ogrodowa 58
00-876 Warsaw
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Assets and liabilities denominated in foreign currencies as at 31 December 2013

	Carrying amount	Transactions in foreign currencies converted to PLN							
		USD	EUR	GBP	CZK	HUF	RON	Other currencies	TOTAL
Assets									
Cash and cash equivalents	413,332,301	60,734,086	158,122,685	1,586,827	5,735,267	8,600,987	3,980,221	18,629,792	**257,389,865**
Financial assets held for trading	71,540,865	29,480,935	36,135,803	2,729,706	45,700	–	–	1,384,044	**69,776,188**
Receivables under income tax	–	–	–	–	–	–	–	–	**–**
Loans granted and other receivables	8,296	–	8,294	–	2	–	–	–	**8,296**
Prepayments and accruals	40,521,848	27,601,704	2,587,676	15	200,108	8,551	116,695	4,266,658	**34,781,407**
Intangible assets	2,264,683	–	317,254	658,749	262,395	–	76,844	–	**1,315,242**
Property, plant and equipment	12,928,757	–	73,471	–	192,798	–	22,780	–	**289,049**
Deferred income tax assets	4,691,869	–	993,145	229,448	182,519	–	84,511	–	**1,489,623**
Total assets	**16,640,767**	**–**	**9,397,989**	**2,302,657**	**63,208**	**–**	**–**	**–**	**11,763,854**
Liabilities									
Liabilities to clients	246,057,189	33,104,802	100,749,061	452,275	906,855	6,239,183	2,396,671	1,294,605	**145,143,452**
Financial liabilities held for trading	11,479,208	4,282,820	6,426,232	411,477	6,729	–	–	186,903	**11,314,161**
Liabilities under income tax	4,795,139	–	1,213,029	–	178,110	5,588	–	–	**1,396,727**
Other liabilities	24,413,809	528,452	5,359,402	678,186	1,306,468	117,513	400,052	6,011,550	**14,401,623**
Provisions for liabilities	607,912	–	117,235	–	–	–	439,214	–	**556,449**
Reserve for deferred income tax	17,994,461	–	–	–	32,510	–	–	–	**32,510**
Total liabilities	**305,347,718**	**37,916,074**	**113,864,959**	**1,541,938**	**2,430,672**	**6,362,284**	**3,235,937**	**7,493,058**	**172,844,922**

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Assets and liabilities denominated in foreign currencies as at 31 December 2012

	Carrying amount	Transactions in foreign currencies converted to PLN							
		USD	EUR	GBP	CZK	HUF	RON	Other currencies	TOTAL
Assets									
Cash and cash equivalents	394,040,562	33,193,162	121,558,423	888,585	47,257,887	5,165,255	3,458,290	7,448,896	**218,970,498**
Financial assets held for trading	44,387,046	18,012,830	22,325,960	1,662,581	21,615	5,320	–	838,297	**42,866,603**
Financial assets held to maturity	–	–	–	–	–	–	–	–	**–**
Receivables under income tax	2,974,200	–	–	–	1,091,650	–	–	–	**1,091,650**
Loans granted and other receivables	43,599,740	28,989,787	4,593,022	121,062	115,684	302,132	85,437	1,504,270	**35,711,394**
Prepayments and accruals	2,402,258	–	285,120	477,065	431,634	–	27,634	–	**1,221,453**
Intangible assets	9,337,156	–	74,464	–	395,618	–	16,293	–	**486,375**
Property, plant and equipment	3,659,899	–	838,797	101,387	73,443	78,706	114,805	–	**1,207,138**
Assets due for deferred income tax	15,409,606	–	11,162,561	1,045,683	10,475	427,584	–	–	**12,646,303**
Total assets	**515,810,467**	**80,195,779**	**160,838,347**	**4,296,363**	**49,398,006**	**5,978,997**	**3,702,459**	**9,791,463**	**314,201,414**
Liabilities									
Liabilities to clients	210,840,727	13,415,796	68,577,034	316,378	30,826,941	4,506,905	2,640,038	202,329	**120,485,421**
Financial liabilities held for trading	7,397,139	2,446,250	3,920,143	337,755	12,862	325	–	464,507	**7,181,842**
Liabilities under income tax	2,093,548	–	2,089,880	–	–	3,668	–	–	**2,093,548**
Other liabilities	12,617,274	2,243,065	3,667,880	234,583	1,325,910	98,508	286,002	11,662	**7,867,610**
Provisions for liabilities	506,086	–	61,832	–	–	–	400,686	–	**462,518**
Reserve for deferred income tax	12,125,602	–	–	–	30,477	–	–	–	**30,477**
Total liabilities	**245,580,376**	**18,105,111**	**78,316,769**	**888,716**	**32,196,190**	**4,609,406**	**3,326,726**	**678,498**	**138,121,416**

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A change in the PLN exchange rates affects the balance sheet valuation of the Group's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5 per cent to PLN. The carrying amount of financial instruments was revalued. For plain vanilla options, secured using the "back-to-back" mechanism since 1 July 2011, a difference between the result on transactions with clients and the result on hedging transactions was accounted for.

Presented below is the sensitivity of the Group's equity and profit before tax to a 5-per cent increase or decrease of the PLN exchange rate:

	31.12.2013 PLN		31.12.2012 PLN	
	5% increase in exchange rates	5% decrease in exchange rates	5% increase in exchange rates	5% decrease in exchange rates
Income/ (expenses) of the period	4,200,784	(4,200,865)	3,916,680	(3,919,650)
Shareholders' equity, of which:	1,176,169	(1,176,169)	(906,950)	909,748
Foreign exchange differences on translation	1,176,169	(1,176,169)	(906,950)	909,748

Sensitivity of the shareholders' equity is connected with foreign exchange differences in translation of value in functional currencies of the foreign operations.

33.2.2. Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Group to the adverse impact of exchange rate fluctuations. Such exposure may result from the contracts entered into by the Group, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates.

The basic interest rate risk for the Group is the mismatch of interest rates:

- paid to clients in connection with funds deposited in cash accounts in the Group, and
- of the bank account and bank deposits where the Group's clients' funds are invested.

As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in clients' cash accounts based on a variable formula, in the amount no higher than the interest rate received by the Group from the bank maintaining the bank account in which clients' funds are deposited.

Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of adverse interest rate mismatch is very low.

Since the Group maintains a low duration of assets and liabilities and minimizes the duration gap, sensitivity of market value of assets and liabilities to calculations of market interest rates is very low.

As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

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Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

	31.12.2013 PLN	31.12.2012 PLN
Financial assets		
Cash and cash equivalents	413,332,301	394,040,562
Total financial assets	**413,332,301**	**394,040,562**
Financial liabilities		
Liabilities to clients	80,543,869	35,477,501
Other liabilities	267,825	374,812
Total financial liabilities	**80,811,694**	**35,852,313**

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in 2012, using the average 1M interest rate in a given market.

	31.12.2013 PLN		31.12.2012 PLN	
	Increase by 50 BP	Decrease by 50 BP	Increase by 50 BP	Decrease by 50 BP
Income/ (expenses) of the period	1,806,225	(1,806,225)	1,919,957	(1,919,957)

Sensitivity analysis of financial assets and liabilities whose fair value is exposed to interest rate risk

The table below presents the structure of financial assets and liabilities whose fair value is exposed to interest rate risk.

	31.12.2013 PLN	31.12.2012 PLN
Financial assets		
Financial assets held for trading	1,424,355	1,725,921
Total financial assets	**1,424,355**	**1,725,921**
Financial liabilities		
Financial liabilities held for trading	1,295,344	1,608,268
Total financial liabilities	**1,295,344**	**1,608,268**

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant.

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	31.12.2013 PLN		31.12.2012 PLN	
	Increase by 50 BP	Decrease by 50 BP	Increase by 50 BP	Decrease by 50 BP
Income/ (expenses) of the period	36	13	20	(5)

33.2.3. Other price risk

Other price risk is exposure of the Group's financial position to unfavourable changes in the prices of commodities, equity investments (equity, indices) and debt instruments (bonds).

The carrying amount of financial instruments exposed to other price risk is presented below:

	31.12.2013 PLN	31.12.2012 PLN
Financial assets held for trading		
Commodities		
Precious metals	7,863,062	4,997,525
Base metals	114,019	82,513
Other	2,892,883	5,230,566
Total commodities	**10,869,964**	**10,310,604**
Equity investments		
Stocks	1,174,326	1,592,876
Indices	32,797,611	14,320,050
Total equity investments	**33,971,936**	**15,912,926**
Debt instruments	**50,539**	**204,445**
Total financial assets held for trading	**44,892,439**	**26,427,975**
Financial liabilities held for trading		
Commodities		
Precious metals	609,823	572,861
Base metals	5,000	10,326
Other	542,702	625,972
Total commodities	**1,157,524**	**1,209,159**
Equity investments		
Stocks	749,201	263,103
Indices	6,960,502	2,136,816
Total equity investments	**7,709,704**	**2,399,918**
Debt instruments	**29,016**	**12,833**
Financial liabilities held for trading in total	**8,896,243**	**3,621,910**

The Group's sensitivity to fluctuations in the prices of specific commodities and equity investments by ±5% with regard to shareholders' equity and profit before tax is presented below.

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	31.12.2013 PLN		31.12.2012 PLN	
	5% increase	5% decrease	5% increase	5% decrease
Income/ (expenses) of the period				
Commodities				
Precious metals	(1,579,714)	1,579,862	(2,411,652)	2,412,187
Base metals	70,296	(70,296)	107,527	(107,527)
Other	554,784	(554,789)	(417,788)	417,997
Total commodities	**(954,633)**	**954,777**	**(2,721,913)**	**2,722,658**
Equity investments				
Stocks	(3,279,724)	3,279,725	(1,266,674)	1,266,674
Indices	10,469,319	(10,466,024)	5,469,901	(5,474,125)
Total equity investments	**7,189,595**	**(7,186,300)**	**4,203,227**	**(4,207,451)**
Debt instruments	**99,957**	**(99,957)**	**629,767**	**(629,767)**
Total income/ (expenses) of the period	**6,334,918**	**(6,331,480)**	**2,111,081**	**(2,114,561)**

33.3. Liquidity risk

For the Group, liquidity risk is the risk of losing its payment liquidity, i.e. the risk of losing capacity to finance its assets and to perform its obligations in a timely manner in the course of normal operations or in other predictable circumstances with no risk of loss. In its liquidity analysis, the Group applies current generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

At present, the value of the Group's most liquid assets (own cash) significantly exceeds the value of its liabilities. Thus, liquidity risk is limited.

Presented below are contractual payment periods of financial assets and liabilities. Marginal and cumulative contractual liquidity gap, calculated as a difference between total assets and total liabilities for each maturity bucket, is presented for specific payment periods.

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Contractual payment terms of financial receivables and liabilities as at 31 December 2013

	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	no maturity specified
Financial assets							
Cash and cash equivalents	413,332,301	413,332,301	413,332,301	–	–	–	–
Financial assets held for trading							
CFDs	70,116,510	70,116,510	70,116,510	–	–	–	–
Options derivatives	1,424,355	1,337,249	736,852	600,397	–	–	–
Total financial assets held for trading	71,540,865	71,453,759	70,853,362	600,397	–	–	–
Loans granted and other receivables	40,521,848	40,521,848	7,548,515	27,515,083	514,091	226,572	4,717,587
Total financial assets	**525,395,014**	**525,307,908**	**491,734,178**	**28,115,480**	**514,091**	**226,572**	**4,717,587**
Financial liabilities							
Liabilities to clients	246,057,189	246,057,189	246,057,189	–	–	–	–
Financial liabilities held for trading							
CFDs	10,183,865	10,183,865	10,183,865	–	–	–	–
Options derivatives	1,295,343	1,321,083	755,523	565,560	–	–	–
Financial liabilities held for trading in total	11,479,208	11,504,948	10,939,388	565,560	–	–	–
Other liabilities	24,413,809	24,413,809	22,727,294	1,596,266	90,248	–	–
Total financial liabilities	**281,950,206**	**281,975,946**	**279,723,871**	**2,161,826**	**90,248**	**–**	**–**
Contractual liquidity gap of maturities (payment dates)	–	–	212,010,307	25,953,654	423,843	226,572	4,717,587
Contractual cumulative liquidity gap	–	–	212,010,307	237,963,961	238,387,803	238,614,375	243,331,962

XTB Polska
ul. Ogrodowa 58
00-876 Warsaw
+48 222 019 570
biuro@xtb.pl
www.xtb.pl

Contractual payment periods of financial assets and liabilities as at 31 December 2012

	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	no maturity specified
Financial assets							
Cash and cash equivalents	394,040,562	394,040,562	394,040,562	–	–	–	–
Financial assets held for trading							
CFDs	42,661,125	42,661,125	42,661,125	–	–	–	–
Options derivatives	1,725,921	1,617,993	819,714	798,279	–	–	–
Total financial assets held for trading	44,387,046	44,279,118	43,480,839	798,279	–	–	–
Loans granted and other receivables	43,599,740	43,599,740	13,501,324	28,854,523	1,039,626	99,330	104,937
Total financial assets	**482,027,348**	**481,919,420**	**451,022,725**	**29,652,802**	**1,039,626**	**99,330**	**104,937**
Financial liabilities							
Liabilities to clients	210,840,727	210,840,727	210,840,727	–	–	–	–
Financial liabilities held for trading							
CFDs	5,788,870	5,788,870	5,788,870	–	–	–	–
Options derivatives	1,608,269	1,633,123	835,831	797,292	–	–	–
Financial liabilities held for trading in total	7,397,139	7,421,993	6,624,701	797,292	–	–	–
Other liabilities	12,617,274	12,617,274	10,379,776	1,843,099	192,196	–	202,202
Total financial liabilities	**230,855,140**	**230,879,994**	**227,845,204**	**2,640,391**	**192,196**	**–**	**202,202**
Contractual liquidity gap of maturities (payment dates)	–	–	223,177,521	27,012,411	847,430	99,330	(97,265)
Contractual cumulative liquidity gap	–	–	223,177,521	250,189,932	251,037,362	251,136,692	251,039,427

The Group does not expect the cash flows presented in the maturity analysis to occur significantly earlier or in significantly different amounts.

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ul. Ogrodowa 58
00-876 Warsaw
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33.4. Credit risk

The chart below shows the carrying amounts of financial assets corresponding to the Group's exposure to credit risk:

	31.12.2013		31.12.2012	
	Carrying amount PLN	Maximum exposure to credit risk PLN	Carrying amount PLN	Maximum exposure to credit risk PLN
Financial assets				
Cash and cash equivalents	413,332,301	413,332,301	394,040,562	394,040,562
Financial assets held for trading *	71,540,865	6,798,373	44,387,046	3,888,596
Loans granted and other receivables	40,521,848	40,521,848	43,599,740	43,599,740
Total financial assets	**525,395,014**	**460,652,522**	**482,027,348**	**441,528,898**

* As at 31 December 2013, the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 71,540,865 (2012: PLN 44,387,046). This exposure was collateralised with clients' cash, which, as at 31 December 2013, covered the amount of PLN 64,742,491 (2012: PLN 40,498,451). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and clients' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened.

As at 31 December 2013, the Group had bank accounts in 32 banks and institutions (2012: 32 banks and institutions). The ten largest exposures are presented in the table below:

31.12.2013		31.12.2012	
Entity	**PLN**	**Entity**	**PLN**
Bank 1	157,979,836	Bank 1	105,228,049
Bank 2	58,776,923	Bank 2	49,824,954
Bank 3	43,077,638	Bank 3	37,897,098
Bank 4	24,667,047	Bank 4	36,885,349
Bank 5	16,003,844	Bank 5	32,747,807
Bank 6	13,383,927	Bank 6	23,335,238
Bank 7	10,736,927	Bank 7	18,894,401
Bank 8	10,546,673	Bank 8	13,431,756
Bank 9	10,404,236	Bank 9	10,064,860
Bank 10	10,101,484	Bank 10	9,066,403
TOTAL	**355,678,534**		**337,375,916**

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Financial assets held for trading

Financial assets held for trading represent financial instrument transactions concluded with the Group's clients.

Credit risk involving financial assets held for trading is connected with the risk of client insolvency. With regard to OTC transactions with clients, the Group's policy is to mitigate counter-party credit risk through margin calls. Client funds deposited in the brokerage serve as a security. If the current balance is 30 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The amount of initial margin deposit is determined
depending on the type of client account, account currency and the balance of the cash account on the trading platform as a percentage of the nominal value of the transaction. A detailed mechanism is set forth in the rules binding on the clients. In addition, in order to mitigate counter-party credit risk, the Group includes special clauses in agreements with selected clients, in particular, requirements regarding minimum balances in cash accounts.

Transactions executed by clients on a regulated market practically do not carry significant credit risks, as instructions are covered with funds in cash accounts or securities in securities accounts. The Group's hedging methods and conditions for accepting orders comply with the applicable regulations.

As at 31 December 2013, the Company's top 10 exposure to counter-party credit risk taking into account collateral (net exposure) is presented in the table below:

Entity	31.12.2013 Net exposure in PLN	Entity	31.12.2012 Net exposure in PLN
Entity 1	2,443,241	Entity 1	1,561,780
Entity 2	576,903	Entity 2	574,170
Entity 3	385,467	Entity 3	566,737
Entity 4	345,824	Entity 4	327,886
Entity 5	247,466	Entity 5	177,132
Entity 6	189,930	Entity 6	143,824
Entity 7	189,718	Entity 7	98,011
Entity 8	121,935	Entity 8	45,137
Entity 9	118,297	Entity 9	40,541
Entity 10	116,230	Entity 10	31,520
TOTAL	**4,735,010**		**3,566,739**

Financial assets held to maturity

As at 31 December 2013, there were no financial assets held to maturity.

Other receivables

Concerning other liabilities, the largest exposure as at 31 December 2013 consists of a borrowing, specified in note 27.5 and 29 of the financial statements, with accrued interest in the amount of PLN 27,298,445, granted to a member of the Management Board of the parent company.

Other receivables consist mainly of receivables from the Central Depository of Securities (KDPW), clients and selected counterparts (margins provided to collateral contractual obligations). There is no significant concentration.

XTB Polska
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Signatures of all members of the Management Board of the Parent Company

4 April 2014	
Date	Jakub Malý President of the Management Board
4 April 2014	
Date	Ewa Stefaniak Member of the Management Board Chief Accountant
4 April 2014	
Date	Piotr Baszak Member of the Management Board
4 April 2014	
Date	Paweł Frańczak Member of the Management Board

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