

**Disclosure report of information relating to the capital adequacy of
the group of X-Trade Brokers Dom Maklerski S.A. as of December
31st 2014**

Table of Content

INTRODUCTION	BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.
1. Management of category of risk	4
2. Governance arrangements	5
i. The recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	5
ii. The policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	5
iii. The information flow on risk to the Management Body.....	5
SCOPE OF APPLICATION OF THE CRR	6
OWN FUNDS	7
CAPITAL REQUIREMENTS	11
3. Capital adequacy	11
4. Internal Capital Calculation	11
i. ICAAP methodology	11
5. Exposures for each type of risk.....	13
6. Credit risk and counterparty credit risk.....	13
i. Recognition of ECAIs and principles of risk weights assignment.....	13
ii. Credit risk exposures structure	14
7. Credit risk adjustments	20
8. Use of credit risk mitigation techniques.....	20
9. Interest rate risk related to non-trading portfolio	21
10. Exposures to securitisation positions.....	21
11. Equity exposure in non-trading portfolio.....	21
CAPITAL BUFFERS.....	22
UNENCUMBERED ASSETS	22
LEVERAGE	22
INFORMACJE O ZMIENNYCH SKŁADNIKACH WYNAGRODZEŃ	BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.
DECLARATION OF MANAGEMENT BOARD	BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.

Introduction

This Report results from the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter: "the CRR"). Detailed scope and terms of announcing the above-mentioned information is defined in the "Information Policy at X-Trade Brokers Dom Maklerski S.A.", which has been published on the www.xtb.com website. The Report contains the information as of December 31st 2014.

Data presented in this report is consistent with the requirements set in Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (hereinafter: "the ITS").

Capital Group of X-Trade Brokers DM S.A. (hereinafter "X-Trade Brokers", the "Group") is a subject to the principles of the total capital requirement calculation and own funds set forth in the CRR.

X-Trade Brokers, in compliance with art 13 of the CRR, publishes the information based on the consolidated basis, because as of December 31st 2014 X-Trade Brokers was EU parent institution. Data concerning financial information are published based on audited amounts.

Following data concerning the financial information have been published on the www.xtb.com website:

- 1) Annual financial report;
- 2) Introduction to the financial report constituting part of the supplementary information;
- 3) Balance sheet;
- 4) Profit and loss statement;
- 5) Statement of changes in equity;
- 6) Cash flow statement for the financial year;
- 7) Opinion of the chartered auditor and
- 8) Risk statement approved by the Management Board describing the overall risk profile of X-Trade Brokers associated with the business strategy.

Risk management objectives and policies

1. Management of category of risk

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 management policies are formulated in order to identify, measure and control the risks taken, as well as to establish appropriate limits to mitigate such risks 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 process of risk management is realized in the Three Lines of Defence model:

- The first line of defence is executed in all entities of X-Trade Brokers that make decisions connected with current activity. Those individuals monitor and control the level of all risk factors linked with their competence and simultaneously take actions interrelated with necessity of adjusting the way of risk management to the current market situation including in particular appearance of new risk factors.
- The second line of defence comprises control mechanisms independent of the first line, which are realized in particular by the Risk Control Department. As a part of this line new mechanisms are designed, implemented and executed to ensure the reliable and objective information about the level of risk that affects the Group.
- The third line of defence is fulfilled by the system of internal audit, which one of duty is investigation of adequacy and efficiency of risk management.

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 Committee gathered six times in 2014 year.

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.
- As part of internal procedures, the Group 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 operation. 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.

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.

Statement of Management Board concerning risk profile, including description of management of each type of risk, is included in Management Report for 2014.

2. Governance arrangements

Table 1 - Directorships

Unit	The number of directorships held by members of the management body
X-Trade Brokers Dom Maklerski S.A.	4
X-Trade Brokers Menkul Degerler AS	1

i. The recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise

The recruitment policy for the selection of members of the management body in X-Trade Brokers Dom Maklerski S.A. is closely related to the internal human resources policy and it is focused on acquiring professional managers who will be able to implement all company's business activities at the highest level.

The process of recruiting potential candidates for the management body is implemented through internal recruitment (promotion), external recruitment (e.g. direct search carried out on the labour market in order to reach the optimum number of candidates with specific qualifications and professional potential) and through specialized recruitment agency that are able to support hiring activities in this field.

During the recruitment process for the management body of the X-Trade Brokers DM S.A., knowledge and qualifications of the candidates are taken into account, as well as their professional experience, abilities to perform their duties and their motivation.

X-Trade Brokers Dom Maklerski S.A. in accordance with the principles of corporate governance for supervised institutions, issued by the Polish Financial Supervision Authority, in evaluating candidates and determine their adequacy to be a member of the management body, takes into account the following factors:

- knowledge (possessed as a result of education, undergone trainings, obtained professional qualifications i.e. licenses, certificates or acquired in the course of professional career)
- experience and practical skills acquired while working on similar positions
- reputation (candidate should be an honest, reliable, objective and responsible person)

The candidate for the management body of X-Trade Brokers Dom Maklerski S.A. is assessed in terms of the above mentioned factors and selected so that he could provide his experience, managerial and planning skills to control the specified activities of the company, for which he will be responsible.

ii. The policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved

In terms of diversity with regard to selection of the members of the management body, X-Trade Brokers Dom Maklerski S.A. ensures compliance with the principles of corporate governance for institutions supervised, issued by the Polish Financial Supervision Authority and guarantees multiplicity of skills and competences in terms of education, professional experience and other soft skills of the selected staff that provides comprehensive and reliable performance of the tasks realization at given position.

Members of the management body are specialists in different areas of business industry and have diversified expertise necessary to perform executed function. Individual competencies of members of the management body are complement one another, so as to enable ensuring adequate level of collective management in X-Trade Brokers DM S.A.

iii. The information flow on risk to the Management Body

The information flow on risk to the Management Body in X-Trade Brokers is part of the Management Information System, which ensure reliable and accurate information delivered on regular basis to the Management Board, the Parent Company's Supervisory Board and employees holding managing positions. The Management Information

System provides information that contribute to business planning and ensures that the Management Board receive immediate information in case of limits' transgression, enable analysis of stresses conditions and future incidents.

The Management Board receives regular reports on application of risk management system. The reports are prepared by the Risk Control Department.

Scope of application of the CRR

The parent institution is X-Trade Brokers Dom Maklerski Spółka Akcyjna with registered office at ul. Ogrodowa 58, 00-876 Warszawa. X-Trade Brokers Dom Maklerski Spółka Akcyjna has been entered into the Register of Entrepreneurs of the National Court Register (KRS) under No. 0000217580.

Individual financial statement covers all the foreign branches:

1. X-Trade Brokers Dom Maklerski S.A., organizační složka – branch in Czech Republic;
2. X-Trade Brokers Dom Maklerski S.A., Sucursal en Espana – branch in Spain;
3. X-Trade Brokers Dom Maklerski S.A., organizačná zložka - branch in Slovakia;
4. X-Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania - branch in Romania;
5. X-Trade Brokers Dom Maklerski S.A., German Branch – branch in Germany;
6. X-Trade Brokers Dom Maklerski S.A. – branch in France and
7. X-Trade Brokers Dom Maklerski S.A., Sucursal Portuguesa – branch in Portugal.

Consolidated financial statement covers all the subsidiaries (full consolidation):

1. XTB Limited, with registered office in the United Kingdom
2. x Open Hub Sp. z o. o., with registered office in Poland,
3. Dub Investments Ltd with registered office on Cyprus,
4. X Trade Brokers Menkul Değerler A.Ş with registered office in Turkey,
5. Lirsar S.A. with registered office in Uruguay.

Prudential consolidation covers the Parent institution and the following subsidiaries classed as institutions and financial institutions:

1. XTB Limited,
2. Dub Investments Ltd,
3. X Trade Brokers Menkul Değerler A.Ş.

As of December 31st 2014, in compliance with art 19 of the CRR, X-Trade Brokers excluded from prudential consolidation the following subsidiaries:

1. XTB Limited,
2. Dub Investments Ltd.

As of December 31st 2014 the subsidiaries were not deducted from Own Funds.

Own Funds

In accordance with the CRR, Own Funds consists of the following elements:

1. Common Equity Tier I Capital – made of capital instruments and related share premium, retained earnings, accumulated other comprehensive income and other reserves, and decreased by necessary corrections, exclusions and prudential filters;
2. Additional Tier I Capital and
3. Tier II Capital.

X-Trade Brokers has capital of highest quality – total Own Funds are created from Common Equity Tier I Capital. The current capital structure of X-Trade Brokers consists in 100% of equity generated within the business and contributed by the Shareholders. Share capital is disclosed in the amount registered in the Register of Entrepreneurs of the National Court Register. 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.

The overall sum of Own Funds on consolidated basis as of December 31st 2014 calculated in accordance with CRR was PLN 242 257 908. All the constituents are shown in the following table.

Table 2 Own Funds – December 31st 2014

No from ITS	Position	Amount (PLN)	Reference to the CRR
I	Own Funds	242 257 908	art. 72
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	75 520 561	art. 26 (1), art. 27, 28 and 29
1.1	Of which: common stock	5 869 182	EBA list (art. 26 (3) of the CRR)
1.2	Of which: share premium	69 651 379	
3	Accumulated other comprehensive income (and other reserves)	192 249 605	art. 26 (1) let. d) and e)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	267 770 166	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
8	Intangible assets (net of related tax liability) (negative amount)	-16 225 753	art. 36 (1) let. b), art. 37
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in art. 38 (3) of the CRR are met) *negative amount)	-9 286 505	art. 36 (1) let. c), art. 38
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-25 512 258	
29	Common Equity Tier 1 (CET1) capital	242 257 908	art. 25
Additional Tier 1 (AT1) capital: instruments			

44	Additional Tier 1 (AT1) capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	242 257 908	
Tier 2 (T2) capital			
58	Tier 2 capital	0	
Own Funds			
59	Total capital (TC = T1 + T2)	242 257 908	
60	Total risk weighted assets	1 640 169 258	
Capital ratios and buffers			
61	Common Equity Tier 1 (as percentage of total risk exposure amount)	14.77 %	art. 92 (2) let. a)
62	Tier 1 (as percentage of total risk exposure amount)	14.77 %	art. 92 (2) let. b)
63	Total capital (as percentage of total risk exposure amount)	14.77 %	art. 92 (2) let. c)
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1 276 463	art. 36 (1) let. h), art. 45, 46, art. 56 let. c), art. 59, 60, art. 66 let. c), art 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	19 217 567	art. 36 (1) let. i), art. 45, 48
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in art. 38 (3) of the CRR are met)	4 204 372	art. 36 (1) let. c), art. 38, 48

Transitional provisions according to part ten, Title I Chapter 1 of the CRR had no application to X-Trade Brokers on consolidated basis.

Main features of capital instruments included in Own Funds are shown in the following table in the format set out by Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

Table 3 - Main features of capital instruments included in Own Funds

Main features of capital instruments		
<u>1</u>	Issuer	X-Trade brokers Dom Maklerski S.A.

Main features of capital instruments		
<u>2</u>	Unique identifier	Not applicable – not listed on the stock exchange
<u>3</u>	Governing law(s) of the instrument	Polish law
Regulatory treatment		
<u>4</u>	Transitional CRR rules	Common Tier I capital
<u>5</u>	Post-transitional CRR rules	Common Tier I capital
<u>6</u>	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Level solo and consolidated
<u>7</u>	Instrument type	Common stock
<u>8</u>	Amount recognised in regulatory capital (currency in million, as of 31.12.2014)	5.8 mln PLN
<u>9</u>	Nominal amount of instrument	18.25 PLN
<u>9a</u>	Issue price	10.00 PLN
<u>9b</u>	Redemption price	Not applicable
<u>10</u>	Accounting classification	Equity capital
<u>11</u>	Original date of issuance	2 September 2004
<u>12</u>	Perpetual or dated	Perpetual
<u>13</u>	Original maturity date	No maturity date
<u>14</u>	Issuer call subject to prior supervisory approval	Not applicable
<u>15</u>	Optional call date, contingent call dates and redemption amount	Not applicable
<u>16</u>	Subsequent call dates, if applicable	Not applicable
Coupons / dividends		Dividends
<u>17</u>	Fixed or floating dividend/coupon	Floating
<u>18</u>	Coupon rate and any related index	Not applicable
<u>19</u>	Existence of a dividend stopper	Yes
<u>20</u>	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary; Reasons: Dividend policy published by Polish Financial Supervision Authority and other regulatory provisions
<u>21</u>	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
<u>22</u>	Existence of step up or other incentive to redeem	Not applicable
<u>23</u>	Noncumulative or cumulative	Noncumulative
<u>24</u>	Convertible or non-convertible	Non-convertible
<u>25</u>	If convertible, conversion trigger(s)	Not applicable
<u>26</u>	If convertible, fully or partially	Not applicable
<u>27</u>	If convertible, conversion rate	Not applicable
<u>28</u>	If convertible, mandatory or optional conversion	Not applicable
<u>29</u>	If convertible, specify instrument type convertible info	Not applicable
<u>30</u>	If convertible, specify issuer of instrument it converts into	Not applicable
<u>31</u>	Write-down features	No
<u>32</u>	If write-down, write-down trigger(s)	Not applicable
<u>33</u>	If write-down, full or partial	Not applicable
<u>34</u>	If write-down, permanent or temporary	Not applicable
<u>35</u>	If temporary write-down, description of write-up mechanism	Not applicable
<u>36</u>	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
<u>37</u>	Non-compliant transitioned features	No
<u>38</u>	If yes, specify non-compliant features	Not applicable

Table 4 – Reconciliation of Own Funds and the balance sheet in the audited financial statement - December 31st 2014 (Amounts in PLN)

Position from the audited balance sheet	Carrying value	Exclusion of subsidiaries not included in prudential consolidation	Other exclusions	Legal basis of other exclusions – reference to the CRR	Carrying amount applicable in calculation of Own Funds	Reference to Table 2
Assets affecting calculation of Own Funds						
Intangible assets	17 908 026		1 682 273	Art. 37 - Tax liability related to intangible assets	16 225 753	8
Deferred tax assets	16 954 808	3 463 931	4 204 372	Art. 48 - Deferred tax assets that rely on future profitability which arise from temporary differences	9 286 505	10
Total Assets	34 862 834	3 463 931	5 886 645		25 512 258	
Equity Capital						
Share capital	5 869 182				5 869 182	1.1
Supplementary capital, including:						
a) from surplus of the issue price over the nominal price	69 651 379				69 651 379	1.2
b) mandatorily established	1 956 394				1 956 394	3
Foreign exchange differences on translation – foreign branches	606 226				606 226	3
Other reserve capitals	189 092 097	138 563	462 577	Instruments which do not met conditions in art. 27 and 28	188 490 957	3
Foreign exchange differences on translation – foreign subsidiaries	1 929 969	733 941			1 196 028	3
Total Equity Capital	269 105 247	872 504	462 577		267 770 166	
Total Equity Capital with deductions					242 257 908	1

Capital Requirements

In accordance with art. 92 (3) of the CRR, X-Trade Brokers calculates and monitors the regulatory capital related to:

- 1) Market risk including:
 - a) Total capital requirement for position risk, calculated as defined in Part III, Title IV of the CRR, including total capital requirement related to:
 - i) general and specific risk of positions in equity instruments
 - ii) commodities risk
 - iii) general and specific risk of positions in debt instruments
- 2) Total capital requirement due to foreign exchange risk – calculated as defined in Part III, Title V of the CRR
- 3) Settlement risk – calculated as defined in Part III, title V of the CRR
- 4) Credit risk and counterparty credit risk – calculated as defined in Part III, Title II of the CRR
- 5) Credit valuation adjustment risk of OTC derivative instruments – calculated as defined in Part III, Title III of the CRR
- 6) Operational risk – calculated as defined in Part III, Title III of the CRR
- 7) Large exposures risk – calculated as defined in art. 395-401 of the CRR to the permitted extent

X-Trade Brokers calculates capital requirements applying the following methods:

- Market risk :
 - risk of positions in equity instruments - basic method
 - general risk of positions in debt instruments – maturity-based method with decomposition of positions
 - specific risk of positions in debt instruments – basic method
 - commodities risk– maturity ladder approach
 - foreign exchange risk – basic method
- Credit risk and counterparty credit risk – standardised approach to calculation of risk weighted exposures, using financial collateral comprehensive method with supervisory volatility adjustments
- Credit valuation adjustment risk of OTC derivative instruments – standardised method
- Operational risk – basic indicator approach.

As of December 31st 2014 the Group did not use advanced methods of calculating capital requirements.

3. Capital adequacy

Trading in Financial Instruments Act imposes on the brokerage houses an obligation to keep supervised capital in the amount not lower than the higher of the following values:

- a. Total capital requirement defined by the brokerage house under the relevant regulations (8% of Total Risk Exposure defined in the CRR),
- b. Amount assessed by the brokerage house pursuant to the relevant regulations, required to cover all significant identified types of risks existing within the activity carried out by the brokerage house and other significant types of risks, which may arise within the course of this activity in the future, called the internal capital.

As of December 31st 2014 ratio of Own Funds to Total Risk Exposure was 14.77%. Amount of Own Funds was over 70 times higher than the minimum amount of equity for carrying out the brokerage activity. The requirements provided by the external regulations have been fulfilled.

4. Internal Capital Calculation

i. ICAAP methodology

In accordance with the ICAAP (Internal Capital Adequacy Assessment Process and assessment of capital adequacy) X-Trade Brokers calculates internal capital in order to determine total capital requirement for covering all significant types of risk and in order to perform its quality assessment. The Internal Capital Adequacy Assessment Process takes

into account the strategy of the brokerage house, the risk management policy and the capital plans of the brokerage house. This process forms an integral part of the risk management system, it is on an on-going basis adapted to changes in the business activity carried out by X-Trade Brokers, including in particular the situations, when new types of risks, major changes in the strategy and plans of action appear.

Risk Control Department assists the Management Board in shaping, reviewing and updating the ICAAP principles, if new types of risk arise, major changes to the strategy and plans of action in the external environment, in which the Group operates. Risk Control Department also monitors adequacy and efficiency of the employed risk management system, identifies, monitors and controls the market risk for the own investments of the Group, determines total capital requirement and assesses internal capital.

Risk Control Department is supervised by the Member of the Management Board responsible for the functioning of the internal control system.

Procedures concerning internal capital assessment, capital management and capital planning are approved by the Parent Company's Supervisory Board.

Since 17 June 2010, that is, since the obligation of applying the ICAAP process by the brokerage houses has been imposed, the parent company determines and monitors the amount of internal capital on daily basis. The internal capital is maintained at a lower level than the regulatory capital, thus it does not determine the amount of total capital requirement directly.

The parent company calculates internal capital applying method of capital multipliers on 1st Pillar capital requirements on each risk.

The subsidiaries calculate the internal capital in accordance with internal rules taking into account specific local regulations. The results of the ICAAP process are reported on regular basis and at request to the parent company.

ICAAP in X-Trade Brokers consists of the following elements:

- Identification of the relevant risks;
- Calculation and allocation of internal capital
- Aggregation of the capital to cover the risks
- Stress Tests
- Monitoring of Own Funds in relation to Total Risk Exposure

Internal Capital Adequacy Assessment Process is a subject to regular annual reviews.

The Management Board of X-Trade Brokers is in charge of the entire internal capital management process, including the processes connected with assessment of capital adequacy in various economic conditions and assessment of results of stress tests and their influence on amount of the internal capital.

5. Exposures for each type of risk

Total Risk Exposure as of December 31st 2014 was PLN 1 640 169 258.

Table 5 – Total Risk Exposure structure

Position	Exposure class	8% of the risk-weighted exposure	Percentage of the risk-weighted exposure
1	Total Risk Exposure amount	131 213 541	100%
1.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	34 343 694	26%
1.1.1	Standardised approach	34 343 409	26%
1.1.1.1	SA exposure classes excluding securitisation positions	34 343 409	26%
1.1.1.1.1	Exposures to central governments or central banks	11 505	0%
1.1.1.1.3	Exposures to public sector entities	860 252	1%
1.1.1.1.6	Exposures to institutions	3 687 294	3%
1.1.1.1.7	Exposures to corporates	173 306	0%
1.1.1.1.8	Exposures to retail clients	3 359 259	3%
1.1.1.1.10	Exposures in default	95 805	0%
1.1.1.1.11	Items associated with particular high risk	600	0%
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	21 602 832	16%
1.1.1.1.15	Equity exposures	3 862 768	3%
1.1.1.1.16	Other items	689 786	1%
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	285	0%
1.2	Total risk exposure amount for settlement/delivery	166 397	0%
1.2.2	Settlement/delivery risk in the Trading book	166 397	0%
1.3	Total risk exposure amount for position, foreign exchange and commodities risks	67 671 746	52%
1.3.1	Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches	67 671 746	52%
1.3.1.1	Risk of positions in debt instruments	303 971	0%
1.3.1.1a)	General risk of positions in debt instruments	303 971	0%
1.3.1.2	Risk of positions in equity	19 431 039	15%
1.3.1.2a)	General risk of positions in equity	16 995 842	13%
1.3.1.2b)	Specific risk of positions in equity	2 435 196	2%
1.3.1.3	Foreign exchange risk	39 643 089	30%
1.3.1.4	Commodities risk	8 293 648	6%
1.4	Total risk exposure amount for operational risk	28 773 612	22%
1.4.1	Operational Risk Basic indicator approach	28 773 612	22%
1.6	Total risk exposure amount for credit valuation adjustment	258 091	0%
1.6.2	Basic method	258 091	0%

6. Credit risk and counterparty credit risk

In order to calculate capital requirement for credit risk X-Trade Brokers distinguishes exposure classes according to art 112 of the CRR.

i. Recognition of ECAs and principles of risk weights assignment

Credit risk weights are assigned based on exposure class, counterparty's credit quality and, in relevant cases, risk weight assigned to exposure to central government or central bank of the country of counterparty's incorporation.

In order to determine credit risk weight of an exposure to institution and corporates X-Trade Brokers uses the following external credit assessment institutions (hereinafter: "ECAI"): Fitch Ratings Limited, Moody's Investors Service and Standard & Poor's Ratings Services. In 2014 X-Trade Brokers did not change the list of nominated ECAIs.

Till the moment of adoption by European Commission of the relevant technical standards, X-Trade Brokers uses mapping of credit risk assessment to credit quality steps adopted by Polish Financial Supervision Authority in Resolution No 391/2009 of 21 December 2009 and published on website www.dziennikiurzedowe.knf.gov.pl. ECAI's credit assessments are used mainly for exposures to banks in which X-Trade Brokers deposits money. Where at least two credit risk assessments are available from nominated ECAIs for a rated item, X-Trade Brokers uses second smallest risk weight.

ii. Credit risk exposures structure

Amounts of credit exposures broken down by significant geographical areas is shown in the following table.

Table 6 – Geographical structure of credit exposures including collateral

Item	Area	Net exposure (PLN)
1	EU countries, outside of Eurozone, including:	182 876 680
1.1	Poland	109 012 821
2	Eurozone	206 398 117
3	Non EU countries	40 021 377
	Total	429 296 173

The following table shows amounts of credit exposures broken down by type of counterparty and exposure class, including specification of significant exposures. As of December 31st 2014 X-Trade Brokers did not distinguish exposures to small and medium-sized enterprises.

Table 7 - Exposures breakdown by counterparty type and exposure class, including specification of significant exposures

Item	Counterparty type	Exposure class	Net exposure (PLN)
1.1.1.1	Standardised Approach exposure classes excluding securitisation positions		649 174 966
1.1.1.1.1	Central governments or central banks	Exposures to central governments or central banks	287 628
1.1.1.1.3	Public sector entities	Exposures to public sector entities	4 800 053
1.1.1.1.6	Institutions	Exposures to institutions	215 770 108
	Institutions	Bank Group 1	92 967 651
	Institutions	Bank Group 2	3 622 955
	Institutions	Bank Group 3	25 066 232
1.1.1.1.7	Corporates	Exposures to corporates	2 166 324
1.1.1.1.8	Retail clients	Exposures to retail clients	55 987 656
1.1.1.1.10	Exposures in default, including:		798 376
	Retail clients	Exposures in default	234 687
	Corporates	Exposures in default	1 627
	Institutions	Exposures in default	562 062
1.1.1.1.11	Corporate	Items associated with particular high risk	5 000

1.1.1.1.13	Institutions	Claims on institutions and corporates with a short-term credit assessment, including:	341 278 313
	Institutions	Bank Group 1	107 066 963
	Institutions	Bank Group 2	92 752 902
	Institutions	Bank Group 3	31 639 242
	Institutions	Bank Group 4	27 667 822
1.1.1.1.15	Equity exposures		19 458 252
	Corporates	Equity exposures	2 176 077
	Institutions	Equity exposures	17 282 174
1.1.1.1.16	Other items		8 623 257
1.1.3	Institutions	Risk exposure amount for contributions to the default fund of a CCP	3 562

Total amount of credit exposures without taking into effects of credit risk mitigations, total net exposure and the average exposure in 2014 are shown in the following table.

Table 8 – Exposures breakdown by exposure classes

Item	Exposure class	Original exposure	Net exposure	Average exposure
1.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	729 328 634	649 178 529	602 789 284
1.1.1	Standardised approach (SA)	729 208 634	649 174 966	602 776 727
1.1.1.1	SA exposure classes excluding securitisation positions	729 208 634	649 174 966	602 776 727
1.1.1.1.1	Exposures to central governments or central banks	287 628	287 628	1 158 157
1.1.1.1.3	Exposures to public sector entities	4 800 053	4 800 053	2 097 583
1.1.1.1.6	Exposures to institutions	218 676 727	215 770 108	180 152 951
1.1.1.1.7	Exposures to corporates	4 928 001	2 166 324	3 009 676
1.1.1.1.8	Exposures to retail clients	130 353 028	55 987 656	58 259 626
1.1.1.1.10	Exposures in default	798 376	798 376	532 003
1.1.1.1.11	Items associated with particular high risk	5 000	5 000	15 768
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	341 278 313	341 278 313	316 689 007
1.1.1.1.15	Equity exposures	19 458 252	19 458 252	21 609 149
1.1.1.1.16	Other items	8 623 257	8 623 257	19 252 808
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	120 000	3 562	12 557

The following table shows the contractual payment periods structure for assets constituting the credit exposures divided by exposure classes.

Table 9 – Exposures breakdown by maturity and exposure class as of December 31st 2014

Item	Exposure class	Risk-weighted exposures	Maturity			Not applicable / No maturity specified
			Up to 3 months	3 months to 1 year	Over 1 year	
1.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	649 178 529	350 956 638	5 115	267 166	297 949 610
1.1.1	Standardised approach (SA)	649 174 966	350 956 638	5 115	267 166	297 946 047
1.1.1.1	SA exposure classes excluding securitisation positions	649 174 966	350 956 638	5 115	267 166	297 946 047

1.1.1.1.1	Exposures to central governments or central banks	287 628	287 628	0	0	0
1.1.1.1.3	Exposures to public sector entities	4 800 053	595 681	0	0	4 204 372
1.1.1.1.6	Exposures to institutions	215 770 108	134 213 194	0	0	81 556 914
1.1.1.1.7	Exposures to corporates	2 166 324	1 180 824	0	247 338	738 162
1.1.1.1.8	Exposures to retails clients	55 987 656	55 987 656	0	0	0
1.1.1.1.10	Exposures in default	798 376	0	0	0	798 376
1.1.1.1.11	Items associated with particular high risk	5 000	0	0	0	5 000
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	341 278 313	158 690 728			182 587 585
1.1.1.1.15	Equity exposures	19 458 252	0	0	0	19 458 252
1.1.1.1.16	Other items	8 623 257	928	5 115	19 829	8 597 386
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	3 562	0	0	0	3 562

Table 10 – Exposures breakdown by credit quality step and exposure class as of December 31st 2014

Item	Exposure class	Credit quality step							Original exposure
		1	2	3	4	5	6	Not applicable / Not available	
1.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	35 659 283	187 095 160	17 405 945	105 157 826	0	0	384 010 421	729 328 634
1.1.1	Standardised approach (SA)	35 659 283	187 095 160	17 405 945	105 157 826	0	0	383 890 421	729 208 634
1.1.1.1	SA exposure classes excluding securitisation positions	35 659 283	187 095 160	17 405 945	105 157 826	0	0	383 890 421	729 208 634
1.1.1.1.1	Exposures to central governments or central banks	0	0	287 628	0	0	0	0	287 628
1.1.1.1.3	Exposures to public sector entities	0	0	0	0	0	0	4 800 053	4 800 053
1.1.1.1.6	Exposures to institutions	0	129 318	0	3 622 955	0	0	214 924 454	218 676 727
1.1.1.1.7	Exposures to corporates	0	0	0	0	0	0	4 928 001	4 928 001
1.1.1.1.8	Exposures to retails clients	0	0	0	0	0	0	130 353 028	130 353 028
1.1.1.1.10	Exposures in default	0	0	0	0	0	0	798 376	798 376
1.1.1.1.11	Items associated with particular high risk	0	0	0	0	0	0	5 000	5 000
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	35 659 283	186 965 842	17 118 317	101 534 871	0	0	0	341 278 313
1.1.1.1.15	Equity exposures	0	0	0	0	0	0	19 458 252	19 458 252
1.1.1.1.16	Other items	0	0	0	0	0	0	8 623 257	8 623 257
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	0	0	0	0	0	0	120 000	120 000
2	Exposure deductible from Own Funds	0	0	0	0	0	0	25 512 258	25 512 258
2.1	Exposures to public sector entities	0	0	0	0	0	0	9 286 505	9 286 505
2.2	Other items	0	0	0	0	0	0	16 225 753	16 225 753

Table 11 – Net exposures breakdown by credit quality step and exposure class as of December 31st 2014

Item	Exposure class	Credit quality step							Total net exposure
		1	2	3	4	5	6	Not applicable / Not available	
1.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	35 659 283	187 095 160	17 405 945	105 157 826	0	0	303 860 315	649 178 528
1.1.1	Standardised approach (SA)	35 659 283	187 095 160	17 405 945	105 157 826	0	0	303 856 753	649 174 966
1.1.1.1	SA exposure classes excluding securitisation positions	35 659 283	187 095 160	17 405 945	105 157 826	0	0	303 856 753	649 174 966
1.1.1.1.1	Exposures to central governments or central banks	0	0	287 628	0	0	0	0	287 628
1.1.1.1.3	Exposures to public sector entities	0	0	0	0	0	0	4 800 053	4 800 053
1.1.1.1.6	Exposures to institutions	0	129 318	0	3 622 955	0	0	212 017 835	215 770 108
1.1.1.1.7	Exposures to corporates	0	0	0	0	0	0	2 166 324	2 166 324
1.1.1.1.8	Exposures to retails clients	0	0	0	0	0	0	55 987 656	55 987 656
1.1.1.1.10	Exposures in default	0	0	0	0	0	0	798 376	798 376
1.1.1.1.11	Items associated with particular high risk	0	0	0	0	0	0	5 000	5 000
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	35 659 283	186 965 842	17 118 317	101 534 871	0	0	0	341 278 313
1.1.1.1.15	Equity exposures	0	0	0	0	0	0	19 458 252	19 458 252
1.1.1.1.16	Other items	0	0	0	0	0	0	8 623 257	8 623 257
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	0	0	0	0	0	0	3 562	3 562
2	Exposure deductible from Own Funds	0	0	0	0	0	0	25 512 258	25 512 258
2.1	Exposures to public sector entities	0	0	0	0	0	0	9 286 505	9 286 505

2.2	Other items	0	0	0	0	0	0	16 225 753	16 225 753
-----	-------------	---	---	---	---	---	---	------------	------------

7. Credit risk adjustments

The exposures are considered overdue if 90 days have passed since the maturity date and the exposure is at least:

- 1) 500 PLN for retail customers,
- 2) 3 000 PLN for other exposure classes.

Impaired exposures are those for which write-offs have been made due to loss of value. 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. The policy in the scope of making write-offs and reserves related to loss of value of assets to the counterparty credit risk was described in the introduction to the financial statement, which is part of the additional information.

X-Trade Brokers does not use credit risk adjustments other than write-offs.

Table 12 – Structure of overdue exposures to customers broken down by type of counterparty as of December 31st 2014

Type of counterparty	Impaired	Overdue exposures, not written off
Retail clients	646 905	234 687
Corporates	10 876	1 627
Institutions	0	562 062
Other	11 420	0
Total	669 201	798 376

Table 13 - Structure of overdue exposures to customers broken down in significant areas by material exposure classes as of December 31st 2014

Item	Geographical area	Impaired	Overdue exposures, not written off
1	EU countries, outside of Eurozone, including:	636 249	686 572
1.1	Poland	611 963	115 353
2	Eurozone	32 937	102 236
3	Non EU countries	15	9 568
	Total	669 201	798 376

Table 14 – Movements in specific credit risk adjustments

Impairment write-downs of receivables - at the beginning of the reporting period	-1 046 352
establishment of write-downs	-262 753
reversal of write-downs	157 952
Use	481 952
Impairment write-downs of receivables - at the end of the reporting period	-669 201

8. Use of credit risk mitigation techniques

As of December 31st 2014 X-Trade Brokers did not make use of on-balance nor off-balance sheet netting for derivative financial instruments and did not make use of credit derivative instruments.

Table 15 – Information on exposures arising from derivative financial instruments as of December 31st 2014

Description	December 31st 2014
Gross positive fair value of derivative financial instruments	60 962 034
Credit exposure due to derivative financial transactions without taking into effect collateral	144 090 768
Collateral received on derivative financial transactions	82 090 732
Net credit exposure due to derivative financial transactions (including collateral)	64 714 841

X-Trade Brokers accepts only cash collateral denominated in settlement currency of each account deposited on X-Trade Brokers' accounts. Therefore, there is no risk of disadvantageous change of collateral value.

There exists no market risk concentration within the credit mitigation taken. Collateral is deposited on X-Trade Brokers' accounts in currency of customer's account.

Credit risk concentration due to collateral held as of December 31st 2014 is shown in the following table.

Table 16 – Risk concentration due to collateral held

Credit risk concentration due to collateral held – 5 biggest exposures	Credit risk exposure	Risk-weighted assets
Bank Group 1	110 029 713	40 609 101
Bank Group 2	52 262 851	78 394 277
Bank Group 3	42 074 047	17 895 984
Bank Group 4	21 293 630	10 646 815
Bank Group 5	14 837 293	2 967 459

9. Interest rate risk related to non-trading portfolio

In general, change in the market interest rates does not have a significant impact on the financial condition of the Group. The occurrence of adverse for X-Trade Brokers mismatch of interest rates is minimal, therefore the interest rate risk related to the non-trading portfolio has been recognised as insignificant.

10. Exposures to securitisation positions

In 2014 the Group did not perform any securitisation activity.

11. Equity exposure in non-trading portfolio

More than 99% of non-trading equity portfolio consists of shares in subsidiaries (excluded from prudential consolidation) which are classed in the balance sheet as financial assets available for sale. These instruments are acquired for strategic purposes and are not listed on the stock exchange. Detail description of accounting techniques and methods of valuation is included in the introduction to consolidated financial statement published separately on the website www.xtb.com.

Total carrying amount of equity exposures as of December 31st 2014 was PLN 19 463 252.

Table 17 – Information on equity exposures

Description	Shares in subsidiaries
Balance sheet value	19 222 567
Fair value	19 222 567
Cumulative realised gains or losses due arising from sales and liquidations in 2014	- 128 345

Total unrealised gains or losses arising from foreign exchange differences on translation	1 196 028
---	-----------

Capital buffers

Due to lack of adopted relevant implementing technical standards and lack of implementation of CRD IV into national legal system, as of December 31st 2014 the Group was not obliged to disclose information on capital buffers.

Unencumbered assets

Due to lack of adopted relevant regulatory technical standards, as of December 31st 2014 the Group was not obliged to disclose information on unencumbered assets.

Leverage

X-Trade Brokers calculates its leverage ratio since the beginning of 2014. In accordance with art 521 (2) let a) of the CRR, as of December 31st 2014 the Group was not obliged to disclose information on leverage ratio.

12. Information on the variable remuneration components

X-Trade Brokers introduced the policy related to variable remuneration components for employees holding managing positions, including the pension benefits non defined upfront, executed by the brokerage house, hereinafter the "Policy".

Preparing, approving, implementing and updating the Policy

1. The Management Board of X-Trade Brokers is responsible for preparing, implementing and updating the Policy.
2. The Policy is a supplement to the risk management system relevant in the brokerage house, strategy adopted by X-Trade Brokers and system of preventing conflicts of interests.
3. The Supervisory Board of X-Trade Brokers, acting also as a Remuneration Committee approves the Policy and supervises its execution.
4. The Policy is also a subject to opinion of the Supervisory Board acting as Remuneration Committee.
5. Policy execution is the subject of a review at least once a year. A review is made by person performing a task in the scope of risk management in X-Trade Brokers.
6. Based on the review mentioned in the section 5, the entity, who makes a review, prepares a written report defining status of Policy execution. The report is submitted to the Remuneration Committee.

i. Members and duties of the Remuneration Committee

1. There is the Remuneration Committee in X-Trade Brokers, which duties are entrusted to the Supervisory Board. The Supervisory Board consists of 5 members appointed by the General Meeting of the Company Shareholders of X-Trade Brokers.
2. The Remuneration Committee at least once a year:
 - (a) gives its opinion on variable remuneration component policy, including the amount and the constituents of the remuneration;

- (b) gives its opinion on the variable remuneration components policy;
- (c) gives its opinion and monitors payment of variable remuneration components to employees holding management positions connected with risk management, internal control and analysing compliance of brokerage house operation with the regulations of law;
- (d) defines a list of employees holding management positions at X-Trade Brokers;
- (e) in the beginning of each financial year it approves the planned amount and variable remuneration components of employees holding management positions for this financial year, taking into account the rules defined in the Policy.

ii. **Criteria and manner of shaping the variable remuneration components policy**

1. When paying or granting the variable remuneration components, the Management Board takes into account size of X-Trade Brokers, risk connected with its business activity, internal organisation, scope and degree of complexity of the business activity carried out by the brokerage house.
2. The Management Board in the beginning of each financial year submits to the Supervisory Board the planned amount and remuneration components of employees holding management positions for this financial year, taking into account the rules defined in the Policy.
3. Each time after approving the budget for the subsequent financial year, the Supervisory Board approves the amount of bonuses to the management board and to key employees covered with the Variable Remuneration Component Policy for the subsequent year.
4. The amount and payout of the variable remuneration components paid to the members of the management board of the brokerage house depend on the percentage of the budget execution of X-Trade Brokers for the given period. The distribution of the variable remuneration components must be approved by the Supervisory Board on the request of President of the Management Board.
5. The assessment of results is based on the data from at least three recent financial years, and for people employed for a shorter period than three years – on the data from the moment of commencement of the employment relationship, so that the actual payment of remuneration components depending on the performance of the brokerage house that is distributed for the period taking into account the economic fluctuations and the risk connected with the business activity carried out by the brokerage house.
6. The basis for determining the total amount of the remuneration is the assessment of performance of each person and the data related to the organisational unit in relation to the general performance of the brokerage house – assessment of individual performance takes into account financial and non-financial criteria.
7. The Variable Remuneration Components paid to the employees performing duties related to the process of supervision over compliance with the relevant regulations of law as well as related to risk management that are defined by the President of the X-Trade Brokers Management Board and depend on fulfilment of tasks entrusted to them, based on the internal organisation regulations of the departments they lead.
8. The guaranteed Variable Remuneration Components, which are not a subject to the regulations of the decision, are of extraordinary nature, may be granted only at the moment of entering into employment relationship and are limited to the first year of employment.
9. If the remuneration is divided into constant and variable components – the constant ones should constitute a sufficiently high proportion of total remuneration in order that it is possible to carry out a flexible policy concerning variable remuneration components, including reducing the amount of these components or not paying them at all.
10. Amount of the granted variable remuneration components cannot limit ability of X-Trade Brokers to increase its capital base.

11. Due to early termination of the Agreement the severance remuneration should reflect the amount of work, its efficiency and quality for the period of at least three last years of holding the management position at the brokerage house, and for employees holding the management position for the period shorter than three years – for the period of accepting this position; the terms related to those payments should be defined in such a way that they prevent rewarding poor performance, in the same time taking into account the grounds and the criteria defined in the section 4.
12. At least 50% of the variable remuneration components will be granted in shares in X-Trade Brokers or in financial instruments, which value is associated with the financial condition of the brokerage house.
13. At least 40% of the variable remuneration components will depend on the performance of a given employee and will take into account the risk of business activity of X-Trade Brokers.
14. Part of the variable remuneration component described in the section 13 will be settled and paid within the period of three to five years, whereas this period will be defined considering economic fluctuations, nature and risk of the activity carried out and duties of this employee. If the amount of the total remuneration to this employee in the previous financial year exceeded the equivalence of EUR 1 000 000 in PLN defined according to the average exchange rate announced by the National Bank of Poland (NBP) for the last day of the previous year, this applies to 60% variable remuneration components.
15. The variable remuneration components should be granted or paid, if they reflect the financial condition of the brokerage house and are justified by the performance of this brokerage house, the performance of the organisational unit, which an employee worked for and performance of this employee. Amount of the variable remuneration components may be reduced, and their payment suspended, if the brokerage house shows a permanent balance loss.
16. The employees being subject to the Policy are obliged not to use their personal hedging strategy and insurance related to the remuneration and liability for the purpose of undermining the effects of taking into account the risk in the remuneration system they are subject to.
17. The financial result of the brokerage house assumed in order to determine variable remuneration components, should take into account the incurred risk, cost of capital and limitations of liquidity.

Total quantitative information on remuneration of persons holding management positions in X-Trade Brokers for the year ended on 31 December 2014

Category	
Fixed components of remuneration (8 persons entitled)	PLN 4,660,226
Variable components of remuneration granted for 2014 (2 persons entitled)	PLN 135,012
Paid out variable components of remuneration for 2014 (2 persons entitled)	PLN 67,506
Variable components of remuneration paid out for previous years (4 persons entitled)	PLN 580,251
The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments	PLN 0
Total	PLN 5,442,995

For the year 2014 variable components of remuneration were paid. Among of that 50% of variable components of remuneration were granted in derivative rights on the shares of X-Trade Brokers, which settlement and pay out may

follow during next three years.

X-Trade Brokers in 2014 did not pay out to any individual an amount equal or exceeding EUR 1 million.

Revealing more precise information on the variable remuneration components policy, in the opinion of the Board could result an unfavourable influence on X-Trade Brokers market position or may breach legally protected secrets.

Warsaw, June 9th 2015

Jakub Maly – Chief Executive Officer

Paweł Frańczak – Member of Management Board

Paweł Szejko – Member of Management Board