

**Disclosure report of information relating to the capital adequacy of
the Capital Group of X-Trade Brokers Dom Maklerski S.A. as of
December 31st 2015**

Table of Content

INTRODUCTION.....	4
1. Management of category of risk	5
2. Governance arrangements	6
i. The recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	6
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	6
iii. The information flow on risk to the Management Body.....	7
SCOPE OF APPLICATION OF THE CRR	7
OWN FUNDS.....	9
CAPITAL REQUIREMENTS	14
3. Capital adequacy	14
4. Internal Capital Calculation	14
i. ICAAP methodology	14
5. Exposures for each type of risk.....	16
6. Credit risk and counterparty credit risk.....	16
i. Recognition of ECAIs and principles of risk weights assignment.....	17
ii. Credit risk exposures structure	17
7. Credit risk adjustments	22
8. Use of credit risk mitigation techniques.....	22
9. Interest rate risk related to non-trading portfolio	23
10. Exposures to securitisation positions.....	23
11. Equity exposure in non-trading portfolio.....	23
CAPITAL BUFFERS.....	24
UNENCUMBERED ASSETS	24
LEVERAGE	25
INFORMACJE O ZMIENNYCH SKŁADNIKACH WYNAGRODZEŃ	BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.
DECLARATION OF MANAGEMENT BOARD	BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.

List of tables

Table 1 - Directorships	6
Table 2 - Own Funds – December 31 st 2015.....	9
Table 3 - Main features of capital instruments included in Own Funds	11
Table 4 – Reconciliation of Own Funds and the balance sheet in the audited financial statement - December 31st 2015 (amounts in thous. PLN)	13
Table 5 – Total Risk Exposure structure	16
Table 6 – Geographical structure of credit exposures including collateral	17
Table 7 - Exposures breakdown by counterparty type and exposure class, including specification of significant exposures	17
Table 8 – Exposures breakdown by exposure classes	18
Table 9 – Exposures breakdown by maturity and exposure class as of December 31st 2015 in thous. PLN	18
Table 10 – Exposures breakdown by credit quality step and exposure class as of December 31st 2015 in thous. PLN	20
Table 11 – Net exposures breakdown by credit quality step and exposure class as of December 31st 2015 in thous. PLN.....	21
Table 12 – Structure of overdue exposures to customers broken down by type of counterparty as of December 31st 2015	22
Table 13 - Structure of overdue exposures to customers broken down in significant areas by material exposure classes as of December 31st 2015	22
Table 14 – Movements in specific credit risk adjustments.....	22
Table 15 – Information on exposures arising from derivative financial instruments as of December 31 st 2015	23
Table 16 – Risk concentration due to collateral held.....	23
Table 17 – Information on equity exposures	23
Table 18 - Template A – Assets.....	24
Table 19 - Template B – Collateral received	24
Table 20 - Form C – Encumbered assets/collateral received and associated liabilities	25
Table 21 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures as of 31st Dec 2015.....	25
Table 22 - LRCom: Leverage ratio common disclosure as of 31 st Dec 2015	25
Table 23 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) as of 31 st Dec 2015	26
Tabela 18 - Informacje ilościowe na temat wynagrodzeń.....	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.xtradedbrokers.com website. The Report contains the information as of December 31st 2015.

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"), set in Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council and in European Banking Authority's Guidelines on disclosure of encumbered and unencumbered assets No EBA/GL/2014/03.

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 2015 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.

Full financial report is published on the ipo.xtradedbrokers.com website in regard to initial public offering (hereinafter: "The IPO").

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 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 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, whose 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 four times in 2015 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. The Risk Control Department monitors counterparties' probabilities of default.

Statement of Management Board concerning risk profile, including description of management of each type of risk, is included in Management Report for 2015. More information on risk management in the Group can be found in the IPO published on ipo.xtradebrokers.com.

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.	3
X-Trade Brokers Menkul Degerler A.S.	1
XTB Limited	2

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 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 recruitment process to X-Trade Brokers Dom Maklerski S.A is designed to ensure that at least two members of the Management Board possess higher education, 3-years experience on similar position in financial market institution and good repute concerning performing functions.

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/she could provide his/ her experience, managerial and planning skills to control the specified activities of the company, for which he/she will be responsible.

Number of directorships held by members of the Management Body and the Supervisory Board in other institutions is limited in compliance with art. 103 of Trading in Financial Instruments Act.

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 supervised institutions, 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 in Warsaw, 58 Ogrodowa St, postal code 00-876. 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.
4. Lirsar S.A.

As of December 31st 2015, in compliance with art 19 of the CRR, X-Trade Brokers excluded from prudential consolidation the following subsidiaries:

1. Dub Investments Ltd.
2. Lirsar S.A.

As of December 31st 2015 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 2015 calculated in accordance with CRR was 240 873 thous. PLN. All the constituents are shown in the following table.

Table 2 Own Funds – December 31st 2015

No from ITS	Position	Amount (thous. PLN)	Reference to the CRR
I	Own Funds	240 873	art. 72
Common Equity Tier 1 (CET1) capital: instruments and reserves (thous. PLN)			
1	Capital instruments and the related share premium accounts	75 521	art. 26 (1), art. 27, 28 and 29
1.1	Of which: common stock	5 869	EBA list (art. 26 (3) of the CRR)
1.2	Of which: share premium	69 651	
3	Accumulated other comprehensive income (and other reserves)	189 834	art. 26 (1) let. d) and e)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	265 354	
Common Equity Tier 1 (CET1) capital: regulatory adjustments (thous. PLN)			
7	Additional value adjustments (negative amount)	(74)	art. 34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(12 295)	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)	(12 112)	art. 36 (1) let. c), art. 38
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(24 482)	
29	Common Equity Tier 1 (CET1) capital	240 873	art. 25

Additional Tier 1 (AT1) capital: instruments (thous. PLN)			
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	240 873	
Tier 2 (T2) capital (thous. PLN)			
58	Tier 2 capital	-	
Own Funds (thous. PLN)			
59	Total capital (TC = T1 + T2)	240 873	
60	Total risk weighted assets	1 665 592	
Capital ratios and buffers			
61	Common Equity Tier 1 (as percentage of total risk exposure amount)	14.5 %	art. 92 (2) let. a)
62	Tier 1 (as percentage of total risk exposure amount)	14.5 %	art. 92 (2) let. b)
63	Total capital (as percentage of total risk exposure amount)	14.5 %	art. 92 (2) let. c)
Amounts below the thresholds for deduction (before risk weighting) (thous. PLN)			
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)	213	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)	1 935	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)	3 667	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.

In 2015 X-Trade Brokers was not obliged to hold capital buffers.

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.
<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 31.12.2015)	5.9 mln PLN
<u>9</u>	Nominal amount of instrument	0.05 PLN
<u>9a</u>	Issue price (real price with issue's nominal equal to 18.25 PLN)	10.00 PLN
<u>9a'</u>	Issue price (price per share with nominal as of 31 st Dec 2015 equal to 0.05 PLN)	0.03 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

Main features of capital instruments		
<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 2015 (amounts in thous. PLN)

Position from the audited balance sheet	Carrying value (in thous. PLN)	Exclusion of subsidiaries not included in prudential consolidation (in thous. PLN)	Other exclusions (in thous. PLN)	Legal basis of other exclusions – reference to the CRR	Carrying amount applicable in calculation of Own Funds (in thous. PLN)	Reference to Table 2
Assets affecting calculation of Own Funds						
Intangible assets	13 340	-	1 045	Art. 37 - Tax liability related to intangible assets	12 295	8
Deferred tax assets	15 779	1	3 667	Art. 48 - Deferred tax assets that rely on future profitability which arise from temporary differences	12 112	10
Total Assets	29 119	1	4 712	-	24 407	
Equity Capital						
Share capital	5 869	-	-	-	5 869	1.1
Supplementary capital, including:						
a) from surplus of the issue price over the nominal price	69 651	-	-	-	69 651	1.2
b) mandatorily established	1 956	-	-	-	1 956	3
Foreign exchange differences on translation – foreign branches	664	-	-	-	664	3
Other reserve capitals	189 092	139	463	Instruments which do not met conditions in art. 27 and 28	188 491	3
Foreign exchange differences on translation – foreign subsidiaries	(1 305)	(27)	-	-	(1 278)	3
Total Equity Capital	265 928	111	463	-	265 354	
Other corrections and exclusions	-	-	(74)	Art 34 and 105 - Additional value adjustments	(74)	7
Total Equity Capital with deductions					240 873	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 2015 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 Own Funds 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 2015 ratio of Own Funds to Total Risk Exposure was 14.5%. 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.

System of Risk Management, including procedures concerning internal capital assessment, capital management and capital planning, is 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 2015 was 1 665 592 thous. PLN.

Table 5 – Total Risk Exposure structure

Position	Exposure class	8% of the risk-weighted exposure (in thous. PLN)	Percentage of the risk-weighted exposure
1	Total Risk Exposure amount	133 247	100%
1.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	28 825	22%
1.1.1	Standardised approach	28 825	22%
1.1.1.1	SA exposure classes excluding securitisation positions	28 825	22%
1.1.1.1.1	Exposures to central governments or central banks	0	0%
1.1.1.1.3	Exposures to public sector entities	780	1%
1.1.1.1.6	Exposures to institutions	3 375	3%
1.1.1.1.7	Exposures to corporates	4 904	4%
1.1.1.1.8	Exposures to retail clients	3 092	2%
1.1.1.1.10	Exposures in default	103	0%
1.1.1.1.11	Items associated with particular high risk	1	0%
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	15 421	12%
1.1.1.1.15	Equity exposures	404	0%
1.1.1.1.16	Other items	746	1%
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	0	0%
1.2	Total risk exposure amount for settlement/delivery	0	0%
1.2.2	Settlement/delivery risk in the Trading book	0	0%
1.3	Total risk exposure amount for position, foreign exchange and commodities risks	67 894	51%
1.3.1	Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches	67 894	51%
1.3.1.1	Risk of positions in debt instruments	253	0%
1.3.1.1a)	General risk of positions in debt instruments	253	0%
1.3.1.2	Risk of positions in equity	24 148	18%
1.3.1.2a)	General risk of positions in equity	23 043	17%
1.3.1.2b)	Specific risk of positions in equity	1 135	1%
1.3.1.3	Foreign exchange risk	31 255	23%
1.3.1.4	Commodities risk	12 208	9%
1.4	Total risk exposure amount for operational risk	36 268	27%
1.4.1	Operational Risk Basic indicator approach	36 268	27%
1.6	Total risk exposure amount for credit valuation adjustment	259	0%
1.6.2	Basic method	259	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 ECAIs 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 2015 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.dziennikiurzedoweknf.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 (in thous. PLN)
1	EU countries, outside of Eurozone, including:	408 350
1.1	Poland	214 068
2	Eurozone	254 147
3	Non EU countries	50 221
	Total	712 719

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 2015 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 (in thous. PLN)
1.1.1.1	Standardised Approach exposure classes excluding securitisation positions		712 719
1.1.1.1.1	Central governments or central banks	Exposures to central governments or central banks	-
1.1.1.1.3	Public sector entities	Exposures to public sector entities	6 210
1.1.1.1.6	Institutions	Exposures to institutions	209 994
	Institutions	Institution 1	96 946
	Institutions	Bank Group 1	81 622
	Institutions	Bank Group 2	79 828
	Institutions	Institution 2	46 973
	Institutions	Institution 3	36 647
	Institutions	Institution 4	24 071
1.1.1.1.7	Corporates	Exposures to corporates	52 630
1.1.1.1.8	Retail clients	Exposures to retail clients	51 540

1.1.1.1.10	Exposures in default, including:		855
	Retail clients	Exposures in default	691
	Corporates	Exposures in default	164
1.1.1.1.11	Corporate	Items associated with particular high risk	5
1.1.1.1.13	Institutions	Claims on institutions and corporates with a short-term credit assessment, including:	379 948
	Institutions	Bank Group 2	101 281
	Institutions	Institution 5	26 786
	Institutions	Institution 56	25 213
1.1.1.1.15	Equity exposures		2 148
	Institutions	Equity exposures	2 148
1.1.1.1.16	Other items		9 388
1.1.3	Institutions	Risk exposure amount for contributions to the default fund of a CCP	-

Total amount of credit exposures without taking into effects of credit risk mitigations, total net exposure and the average exposure in 2015 are shown in the following table.

Table 8 – Exposures breakdown by exposure classes

Item	Exposure class	Original exposure (in thous. PLN)	Net exposure (in thous. PLN)	Average exposure (in thous. PLN)
1.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	805 858	712 719	670 412
1.1.1	Standardised approach (SA)	805 858	712 719	670 410
1.1.1.1	SA exposure classes excluding securitisation positions	805 858	712 719	670 410
1.1.1.1.1	Exposures to central governments or central banks	-	-	-
1.1.1.1.3	Exposures to public sector entities	6 210	6 210	5 987
1.1.1.1.6	Exposures to institutions	221 008	209 994	254 128
1.1.1.1.7	Exposures to corporates	62 186	52 630	29 144
1.1.1.1.8	Exposures to retail clients	124 110	51 540	50 754
1.1.1.1.10	Exposures in default	855	855	918
1.1.1.1.11	Items associated with particular high risk	5	5	5
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	379 948	379 948	302 792
1.1.1.1.15	Equity exposures	2 148	2 148	17 225
1.1.1.1.16	Other items	9 388	9 388	9 457
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	-	-	2

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 2015 in thous. PLN

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	712 719	399 414	8	1 159	312 137

1.1.1	Standardised approach (SA)	712 719	399 414	8	1 159	312 137
1.1.1.1	SA exposure classes excluding securitisation positions	712 719	399 414	8	1 159	312 137
1.1.1.1.1	Exposures to central governments or central banks	-	-	-	-	-
1.1.1.1.3	Exposures to public sector entities	6 210	2 541	-	-	3 669
1.1.1.1.6	Exposures to institutions	209 994	157 038	-	129	52 826
1.1.1.1.7	Exposures to corporates	52 630	46 335	-	247	6 048
1.1.1.1.8	Exposures to retails clients	51 540	51 540	-	-	-
1.1.1.1.10	Exposures in default	855	855	-	-	-
1.1.1.1.11	Items associated with particular high risk	5	-	-	-	5
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	379 948	140 246	-	-	239 702
1.1.1.1.15	Equity exposures	2 148	-	-	-	2 148
1.1.1.1.16	Other items	9 388	859	8	783	7 739
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	-	-	-	-	-

Table 10 – Exposures breakdown by credit quality step and exposure class as of December 31st 2015 in thous. PLN

Item	Exposure class	Credit quality step							Original exposure (in thous. PLN)
		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	237 065	313 507	56 990	17 331	-	-	180 966	805 858
1.1.1	Standardised approach (SA)	237 065	313 507	56 990	17 331	-	-	180 966	805 858
1.1.1.1	SA exposure classes excluding securitisation positions	237 065	313 507	56 990	17 331	-	-	180 966	805 858
1.1.1.1.1	Exposures to central governments or central banks	-	-	-	-	-	-	-	-
1.1.1.1.3	Exposures to public sector entities	-	-	-	-	-	-	6 210	6 210
1.1.1.1.6	Exposures to institutions	198 635	628	-	-	-	-	21 745	221 008
1.1.1.1.7	Exposures to corporates	-	-	28 351	17 331	-	-	16 505	62 186
1.1.1.1.8	Exposures to retails clients	-	-	-	-	-	-	124 110	124 110
1.1.1.1.10	Exposures in default	-	-	-	-	-	-	855	855
1.1.1.1.11	Items associated with particular high risk	-	-	-	-	-	-	5	5
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	38 430	312 880	28 639	-	-	-	-	379 948
1.1.1.1.15	Equity exposures	-	-	-	-	-	-	2 148	2 148
1.1.1.1.16	Other items	<1	-	-	-	-	-	9 388	9 388
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	-	-	-	-	-	-	-	-
2	Exposure deductible from Own Funds	-	-	-	-	-	-	24 407	24 407
2.1	Exposures to public sector entities	-	-	-	-	-	-	12 112	12 112
2.2	Other items	-	-	-	-	-	-	12 295	12 295

Table 11 – Net exposures breakdown by credit quality step and exposure class as of December 31st 2015 in thous. PLN

Item	Exposure class	Credit quality step							Total net exposure (in thous. PLN)
		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	237 065	313 507	56 990	17 331	-	-	87 826	712 719
1.1.1	Standardised approach (SA)	237 065	313 507	56 990	17 331	-	-	87 826	712 719
1.1.1.1	SA exposure classes excluding securitisation positions	237 065	313 507	56 990	17 331	-	-	87 826	712 719
1.1.1.1.1	Exposures to central governments or central banks	-	-	-	-	-	-	-	-
1.1.1.1.3	Exposures to public sector entities	-	-	-	-	-	-	6 210	6 210
1.1.1.1.6	Exposures to institutions	198 635	628	-	-	-	-	10 731	209 994
1.1.1.1.7	Exposures to corporates	-	-	28 351	17 331	-	-	6 949	52 630
1.1.1.1.8	Exposures to retails clients	-	-	-	-	-	-	51 540	51 540
1.1.1.1.10	Exposures in default	-	-	-	-	-	-	855	855
1.1.1.1.11	Items associated with particular high risk	-	-	-	-	-	-	5	5
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	38 430	312 880	28 639	-	-	-	-	379 948
1.1.1.1.15	Equity exposures	-	-	-	-	-	-	2 148	2 148
1.1.1.1.16	Other items	<1	-	-	-	-	-	9 388	9 388
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	-	-	-	-	-	-	-	-
2	Exposure deductible from Own Funds	-	-	-	-	-	-	24 407	24 407
2.1	Exposures to public sector entities	-	-	-	-	-	-	12 112	12 112
2.2	Other items	0	0	0	0	0	0	12 295	12 295

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 2015

Type of counterparty	Impaired (in thous. PLN)	Overdue exposures, not written off (in thous. PLN)
Retail clients	836	691
Corporates	428	164
Institutions	28	-
Other	-	-
Total	1 293	855

Table 13 - Structure of overdue exposures to customers broken down in significant areas by material exposure classes as of December 31st 2015

Item	Geographical area	Impaired (in thous. PLN)	Overdue exposures, not written off (in thous. PLN)
1	EU countries, outside of Eurozone, including:	1 260	207
1.1	Poland	750	115
2	Eurozone	32	452
3	Non EU countries	<1	80
	Total	1 293	855

Table 14 – Movements in specific credit risk adjustments

Impairment write-downs of receivables at the beginning and end of the reporting period (in thous. PLN)	
Impairment write-downs of receivables - at the beginning of the reporting period	(794)
establishment of write-downs	(3 402)
reversal of write-downs	555
Impairment write-downs of receivables - at the end of the reporting period	(1 293)

8. Use of credit risk mitigation techniques

As of December 31st 2015 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 2015

Description	December 31st 2015 (in thous. PLN)
Gross positive fair value of derivative financial instruments	64 254
Credit exposure due to derivative financial transactions without taking into effect collateral	159 216
Collateral received on derivative financial transactions	95 000
Net credit exposure due to derivative financial transactions (including collateral)	66 904

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 2015 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 (in thous. PLN)	Risk-weighted assets (in thous. PLN)
Bank Group 1	94 890	38 455
Bank Group 2	77 198	38 599
Bank Group 3	76 425	45 689
Bank Group 4	21 065	10 532
Bank Group 5	7 599	1 520

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 2015 the Group did not perform any securitisation activity.

11. Equity exposure in non-trading portfolio

More than 90% 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 technics 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 2015 was 2 153 thous. PLN.

Table 17 – Information on equity exposures

Description	Shares in subsidiaries (in thous. PLN)
Balance sheet value	1 940
Fair value	1 940

Cumulative realised gains or losses due arising from sales and liquidations in 2015	-
Total unrealised gains or losses arising from foreign exchange differences on translation	(1 278)

Capital buffers

As of December 31st 2015 the Group was not obliged to hold capital buffers.

Unencumbered assets

The Group discloses information on encumbered and unencumbered assets based on the Council and in European Banking Authority's Guidelines on disclosure of encumbered and unencumbered assets No EBA/GL/2014/03. Due to lack of implementing technical standards on disclosure of encumbered and unencumbered assets the Group discloses this information as of 31st December 2015 and based on median values of quarterly data from 2015.

The main source of asset encumbrance in the Group activity is cash collateral deposited in counterparties with whom the Group hedge market risk in derivatives. The Group recognises cash collateral received as encumbered to the amount blocked for derivative transactions. Asset encumbrance exists mainly in the Parent Company. As of 31st Dec 2015 56% of unencumbered assets reports below in Template A row 010 is not deemed available for encumbrance in the normal course of business.

Table 18 - Template A – Assets

Amounts in thous. PLN		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
31st Dec 2015					
010	Assets of the reporting institution	7 402		723 992	
030	Equity instruments	-	-	2 153	2 153
040	Debt securities	-	-	-	-
120	Other assets	7 402		721 839	
Median of 2015					
010	Assets of the reporting institution	7 294		692 572	
030	Equity instruments	-	-	22 079	22 079
040	Debt securities	-	-	-	-
120	Other assets	7 294		670 393	

Table 19 - Template B – Collateral received

Amounts in thous. PLN		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
31st Dec 2015			
010	Collateral received by the reporting institution	37 932	262 784
030	Equity instruments	-	-
040	Debt securities	-	-
120	Other assets	37 932	262 784
240	Own debt securities issued other than own covered bonds or ABSs	-	-
Median of 2015			
010	Collateral received by the reporting institution	39 224	245 796
030	Equity instruments	-	-
040	Debt securities	-	-
120	Other assets	39 224	245 796

240	Own debt securities issued other than own covered bonds or ABSs	-	-
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Table 20 - Form C – Encumbered assets/collateral received and associated liabilities

Amounts in thous. PLN	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	010	040
31st Dec 2015		
010	Carrying amount of selected financial liabilities	1 371
		45 335
Median of 2015		
010	Carrying amount of selected financial liabilities	986
		47 031

Leverage

X-Trade Brokers calculates its leverage ratio since the beginning of 2014. Since 2015 X-Trade Brokers is obliged to disclose information on leverage ratio.

Reference date	2015-12-31
Entity name	X-Trade Brokers Dom Maklerski S.A.
Level of application	Skonsolidowany

Table 21 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures as of 31st Dec 2015

	Applicable amounts (in thous. PLN)	
1	Total assets as per published financial statements	730 660
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	734
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
4	Adjustments for derivative financial instruments	33 631
5	Adjustments for securities financing transactions "SFTs"	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	12
7	Other adjustments	(21 384)
8	Total leverage ratio exposure	743 653

Table 22 - LRCom: Leverage ratio common disclosure as of 31st Dec 2015

Ekspozycje wskaźnika dźwigni określone w rozporządzeniu w sprawie wymogów kapitałowych (w tys. PLN)		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	670 164
2	(Asset amounts deducted in determining Tier 1 capital)	(24 407)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	645 756
Derivative exposures		
4	Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	1 830
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	96 054
6	Exposure determined under Original Exposure Method	-
7	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
8	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
9	(Exempted CCP leg of client-cleared trade exposures)	-
10	Adjusted effective notional amount of written credit derivatives	-
11	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	97 885

Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	59
18	(Adjustments for conversion to credit equivalent amounts)	(47)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	12
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	Tier 1 capital	240 873
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	743 653
Leverage ratio		
22	Leverage ratio	32.39%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

Table 23 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) as of 31st Dec 2015

Lp.	Ekspozycje wskaźnika dźwigni określone w rozporządzeniu w sprawie wymogów kapitałowych (w tys. PLN)	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	645 756
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	645 756
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	0
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	6 210
EU-7	Institutions	579 237
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	216
EU-10	Corporate	49 646
EU-11	Exposures in default	855
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	9 592

Risk of excessive leverage was recognized by the Group as immaterial due to low probability of materializing caused by:

- financing from capital paid by shareholders and realized profits
- control mechanisms built in capital adequacy calculations

Risk of excessive leverage is managed according to rules described in the System of Risk Management and is regularly analyzed in the ICAAP process.

Factors that had an impact on the leverage ratio during 2015 year were:

1. Change in Trading in Financial Instruments Act introducing minimal collateral level necessary to trade for retail clients, which resulted in lower open position in trading book in comparison to collateral level.
2. Changes in clients' open positions.
3. Changes in clients' cash deposited as collateral.
4. Changes in level of deduction from Own Funds according to the CRR.

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 (16 persons entitled)	PLN 4 696 078
Variable components of remuneration granted for 2015 (13 persons entitled)	PLN 3 989 622
Paid out variable components of remuneration for 2015 (13 persons entitled)	PLN 2 955 975
Variable components of remuneration paid out for previous years (4 persons entitled)	PLN 402 470
The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments	N/A
Sum of components paid in 2015	PLN 8 054 523

For the year 2015 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 2015 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, April 27th 2016


Jakub Maly – Chief Executive Officer


Paweł Frańczak – Member of Management Board

Paweł Szejko – Member of Management Board



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