

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of X-Trade Brokers Dom Maklerski
Spółka Akcyjna

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of X-Trade Brokers Dom Maklerski Spółka Akcyjna (the 'Company') located in Warsaw at Ogrodowa 58 Street, containing: the statement of comprehensive income for the period from 1 January 2018 to 31 December 2018, the statement of financial position as at 31 December 2018, the statement of changes in equity, the cash flow statement for the period from 1 January 2018 to 31 December 2018 and notes and disclosures to the financial statements containing the description of the accounting policies and other explanatory information (the 'financial statements').

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the period from 1 January 2018 to 31 December 2018 in accordance with required applicable rules of the Accounting Act dated 29 September 1994 ('the Accounting Act') and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act.

The opinion is consistent with the additional report to the Audit Committee issued on 7 March 2019.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014').

Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Valuation and recognition of the result from operations on financial instruments	
<p>The result from operations on financial instruments for the year ended on 31 December 2018 amounted to 260,766k PLN and constituted the most significant position in the statement of comprehensive income of the Company. The value of financial assets recognized at fair value through profit and loss and financial liabilities held for trading amounted to 106,531k PLN and 24,794k PLN, respectively.</p> <p>The result from operations on financial instruments of the Company comprises realized and unrealized revenues and costs related to the trading on financial</p>	<p>As part of the audit procedures, we documented our understanding of the Company's policies and procedures for entering into transactions and valuing financial instruments, as well as recognizing the result on these operations. We have analyzed the design and operation of the control mechanisms implemented by the Company in this area during the reporting period. The tests of control mechanisms carried out as part of the audit procedures included, in particular, the process of entering into transactions with clients, the valuation process, as well as the risk management process, including the limits related to the open position.</p>

Key audit matter	How the matter was addressed in our audit
<p>instruments, especially trading of contracts for difference. The result from operations on financial instruments is determined as a value of a difference between the sales price and purchase price of financial instruments, decreases by the cost of rebates and brokers' fees which depend on the clients' trading volume.</p> <p>The process of executing transactions with clients and valuing derivative financial instruments is largely automated and depends on the IT systems.</p> <p>Due to the above mentioned, this area requires a significant amount of work and expert knowledge in the field of financial instruments and IT systems and, thus, constitutes a key audit matter.</p> <p>Information about the accounting policies as well as quantitative disclosures regarding the result from operations on financial instruments, financial assets valued at fair value through profit and loss and financial liabilities held for trading are described in notes 4.13, 4.3, 6.1, 16 and 23 of the financial statements, respectively.</p>	<p>With regards to the IT systems used to enter transactions and value financial instruments, with the help of IT specialists, we updated our knowledge about the design of internal control mechanisms covering the areas of change IT system management and access controls, based on which we determined the scope of additional audit procedures, including, among other matters, testing of source documentation and testing of system reports concerning the result from operations on financial instruments.</p> <p>On the selected sample we carried out an independent valuation of financial instruments and an analysis of the correctness of the recognition of such valuation in the accounting records as at the balance sheet date. Additionally, regarding the result from operations on financial instruments, we also performed reliability tests, including the reconciliation of selected transactions to the source documentation, tests of system reports, as well as the analytical procedures, aimed at analyzing the results recognized by the Company on a selected types of financial instruments by comparing them to our expectations based on the knowledge about the Company and observed market data.</p> <p>Furthermore, we assessed the adequacy of disclosures in relation to the result from operations on financial instruments, financial assets valued at fair value through profit and loss and financial liabilities held for trading in the financial statements, as well as their compliance with IFRS.</p>
Regulatory risk and compliance with regulations.	
<p>As a brokerage house the Company operates, based on the permission of the Polish Financial Supervision Authority ('KNF'), in the market which is characterized by a high degree of complexity and volatility of legal</p>	<p>During the audit, we performed an analysis of the Company's methods of identifying breaches of legal provisions regulating the Company's operations, including anti-money laundering activities, and the assessment of the potential</p>

Key audit matter	How the matter was addressed in our audit
<p>regulations affecting many key Company's operations, including, in particular, the capital or anti-money laundering requirements.</p> <p>Violation by the Company of the laws and regulations, as well as administrative provisions governing the Company's activities, may have a significant impact on the going concern of the Company's and on the Company's financial statements, including the valuation of provisions for future liabilities due to non-compliance with the law, as well as the scope of disclosures in financial statements.</p> <p>Due to the above mentioned, the risk of non-compliance with existing regulations and legal provisions constitutes key audit matter.</p> <p>Matters related to the capital requirements and compliance with the legal regulations are described in notes 39 and 27.2 of the financial statements, respectively.</p>	<p>impact of these issues on the financial statements.</p> <p>Our procedures included, among other matters, interviews with the Company's Management, compliance inspector and the legal department. Moreover, we got acquainted with expert opinions and analyses prepared for the Company regarding the legal and regulatory matters, and documented the competences and objectivity of these experts.</p> <p>Furthermore, we conducted an analysis of the correspondence with public administration bodies and publicly available information, an analysis of internal audit reports carried out by the Company, an analysis of claims and complaints, an analysis of reports of supervisory regulators' inspections, an analysis of capital requirements calculation, as well as an analysis of significant estimates and professional judgment of the Company's Management used for the purposes of provisioning.</p> <p>We also verified the documentation of the Company's Management regarding the assumption of going concern, including the assessment of the Company's Management related to the impact of new and amended regulations and laws on the Company's operations.</p> <p>Additionally, we carried out a completeness and correctness analysis of the recognition of events related to regulatory and compliance matters, that occurred after the balance sheet date and before the date of preparation of the financial statements.</p> <p>Our procedures also included an analysis of disclosures related to the regulatory and compliance matters presented in the financial statements.</p>

Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of the Accounting Act, the adopted accounting policies and other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of the Company's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the members of the Company's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the members of the Company's Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should

not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises: the Directors' Report of the Group and the Company (containing Director's Report of X-Trade Brokers Dom Maklerski Spółka Akcyjna) for the period from 1 January 2018 to 31 December 2018 ("Director's Report"), the representation on the corporate governance as a separate element of the Directors' Report and the Annual Report for the period from 1 January 2018 to 31 December 2018 (the 'Annual Report'), (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Company's Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act, paragraph 70 of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state ("Decree on current and periodic information"), paragraph 22 of the Regulation of the Minister of Finance of 28 December 2009 on specific accounting principles of brokerage houses and art. 110w in the Act of 29 July 2005 on Trading on Financial Instruments.
- is consistent with the information contained in the financial statements.

The Company was not required to make a statement about non-financial information.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Regulation on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Regulation included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

Report on other legal and regulatory requirements

Brokerage houses are required to comply with prudential requirements included in the resolutions of the Polish Financial Supervision Authority ('KNF'), recommendations of the Polish Financial Supervision Authority and the Regulation (EU) No 575/2013 of the European Parliament and of the European Council as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending regulation (EU) No. 648/2012 (CRR) and EU Commission prudential regulations issued on the basis of this regulation, and Regulation of the Minister of Development and Finance of 25 April 2017 on internal capital, risk management system, supervisory assessment program and supervisory examination and assessment, as well as the remuneration policy in the brokerage house regarding the capital adequacy.

The Company's Management is responsible for compliance with applicable prudential regulations, including, in particular, the appropriate determination of capital ratios by the Company. Our task was, based on the conducted audit, to provide information about whether the Company complied with the above prudential regulations. Our goal was not to express an opinion on compliance with these regulations.

As part of the audit of the financial statements, we have performed procedures with respect to capital ratios and we have not identified any irregularities, that might have a material effect on the financial statements as a whole, in the calculation of those ratios. Therefore, we would like to inform you that the Management of the Company correctly determined the capital ratios in accordance with the provisions described above.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which we have provided to the Company and its subsidiaries, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Company and its subsidiaries in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Company's General Meeting from 31 October 2014 and reappointed based on the resolution of the Company's Supervisory Board from 25 May 2017. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December 2014, i.e. for the past 5 consecutive years.

Key Certified Auditor

Arkadiusz Krasowski
Certified Auditor
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on behalf of:
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Warsaw, 7 March 2019