A fresh approach to trading

Plus500 Ltd. Annual Report 2020

"2020 was an exceptional year for Plus500, in unprecedented market conditions, where we delivered a record performance due to the strength and agility of our technology and its ability to respond rapidly to market developments and news events. Our performance was supported by the commitment of our people who ensured that our customers received a consistently high quality experience."

David Zruia, Chief Executive Officer

Read more in the CEO's Q&A on page 8

"strength and agility of our technology"

2020 FINANCIAL HIGHLIGHTS

$872.5m
Revenue
2019: $354.5m

$515.9m
EBITDA[1]
2019: $192.3m

59%
EBITDA Margin %
2019: 54%

$593.9m
Cash balance at period end
2019: $292.9m

2020 OPERATIONAL HIGHLIGHTS

434,296
Active Customers[2]
2019: 199,720

294,728
New Customers[3]
2019: 91,388

$2,009
Average Revenue Per User (ARPU)
2019: $1,775

$750
Average User Acquisition Cost (AUAC)
2019: $1,046

Plus500 Ltd. ("Plus500" or the "Company" or, together with its subsidiaries, the "Group") is a leading technology platform for trading Contracts for Difference ("CFDs")

A record financial performance, driven by strength and differentiation of Plus500 technology:

Financial Review
page 32

- Total revenue up 146% to $872.5m, with Customer Income[4], a key growth metric, up 161% to $997.5m
- EBITDA up 168% to $515.9m
- Operating cash conversion[5] of 106%, leading to 103% increase in cash balances to $593.9m

Demonstrates unrivalled ability of Plus500 technology to respond rapidly to news and market events:

Our technology
page 14

- Unprecedented levels of platform usage drove exceptional delivery across all key metrics
- Over 82m customer trades (FY 2019: c.35m)
- Client deposits of $2.9bn (FY 2019: $1.0bn)
- Record levels of New Customers and Active Customers, at attractive ARPU, with reduced Customer Churn[6] and AUAC
- Consistent level of service delivery for customers, despite unparalleled platform usage

Continued customer-centric risk management framework & further strengthening of governance:

Risk management framework
page 35

- Implementation of targeted hedging in FY 2021 to reduce market risk, as appropriate
- Further diversification and broadening of experience and expertise of the Board of Directors ("the Board")

A new vision and strategy to achieve future growth, through organic investment and targeted acquisitions:

Our strategy
page 18

- Plus500 vision is to enable simplified, universal access to financial markets
- Evolving from a technology company solely focused on CFDs to a multi-asset fintech group
- Multiple compelling opportunities available to drive future growth
- Incremental R&D investment of approximately $50m over the next three years for scale and innovation, including establishment of a new R&D centre in Israel

On-going focus on attractive shareholder returns:

Chairman's statement
page 4

- Total shareholder returns of $278.3m in relation to FY 2020, representing 60% of Net Profit[7], and a special dividend[8]
- New shareholder returns policy, with increased emphasis on investing for future growth:
  - Return at least 50% of net profits to shareholders through dividends and share buybacks, with at least 50% by way of dividends
  - Ensures optimal balance between shareholder returns, investment in future growth and driving business continuity over the long term, in particular to ensure the Group has appropriate levels of capital available to continue managing heightened platform usage

Strategic Report

Governance

Financial Statements

Further information

1. EBITDA – Earnings before interest, taxes, depreciation and amortisation
2. Active Customers – Customers who made at least one real money trade during the period
3. New Customers – Customers depositing for the first time
4. Customer Income – Revenue from customer spreads and overnight charges
5. Operating cash conversion – Cash generated from operations/EBITDA
6. Customer Churn – (Active Customers (T) + New Customers (T+1)) – Active Customers (T+1)/ Active Customers (T)
7. Based on the Israeli corporate tax rate (23%)
8. Based on the difference between the full Israeli corporate tax rate (23%) and the Israeli Preferred Technology Enterprise ("PTE") corporate tax rate (12%)

Group at a Glance

Plus500 is a leading technology platform for trading CFDs internationally, offering its customers more than 2,500 different underlying global financial instruments in more than 50 countries and in 32 languages. Plus500 has a premium listing on the Main Market of the London Stock Exchange (symbol: PLUS) and is a constituent of the FTSE 250 index.

** For illustrative purposes*

OUR VISION

To enable simplified, universal access to financial markets

ACROSS DEVICES
Through best-in-class technology

ACROSS COUNTRIES
Through global scale with localised services

ACROSS PRODUCTS
Through broad range of services

OUR STRATEGY

Evolving to become a multi-asset fintech group over time by expanding our offering, launching new products and deepening our engagement with customers.

OUR VALUES

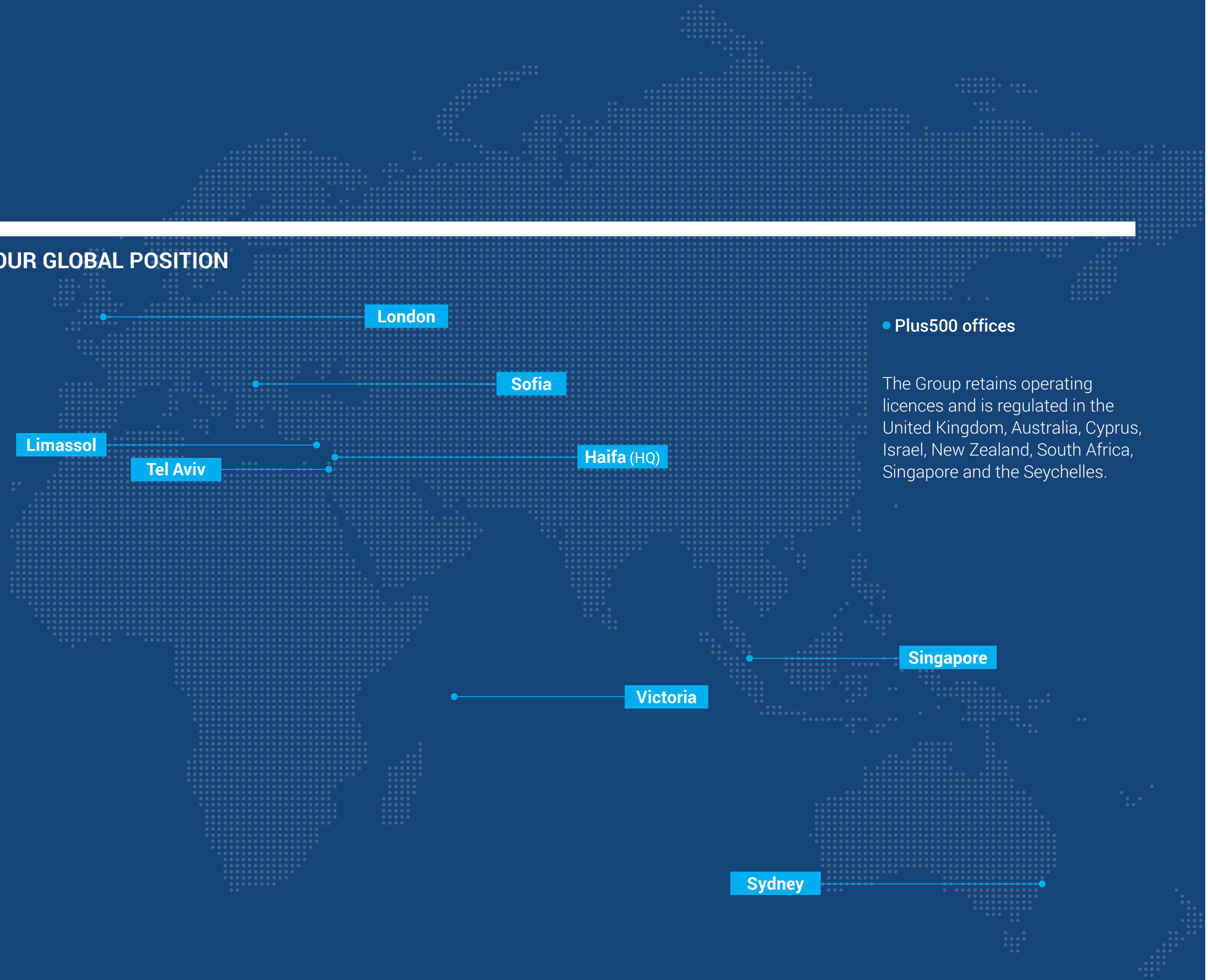
Technology driven
Our state of the art technology is enabled by our on-going focus on innovation and creativity.

Strive for excellence
We do not compromise on quality of our product or on the talent of our people.

Keep it simple
Find the simplest and fastest way to solve any challenge you face.

Be bold
We have an entrepreneurial approach, motivating our people to deliver excellence.

OUR GLOBAL POSITION



The Group retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, Israel, New Zealand, South Africa, Singapore and the Seychelles.

Global operations conducted from eight offices worldwide

Around 400 people globally

Trading platform available in over 50 countries and in 32 languages

OUR KEY CAPABILITIES, DIFFERENTIATORS AND ENABLERS

1 Robust financial foundation and track record:

- Strong, resilient balance sheet
- Cash generative
- Highly scalable and lean business model
- Industry-leading positions in key markets
- Debt free since inception

Read more on page 32

2 Strong functional infrastructure and resource:

- Embedded risk management approach
- Rigorous compliance procedures and processes
- High calibre talent and specialist expertise

Read more on pages 24 and 35

3 Powerful proprietary technology platform:

- Robust and agile platform drives continued innovation and development of Plus500's offering for customer
- Rapidly adjusted to customer requirements, fast-emerging market trends and regulatory changes

Read more on page 14

4 Customer centric approach:

- Well known brand
- Dynamic customer acquisition and retention engine, driven by technology
- Significant loyal customer base

Read more on page 16

Chairman's Statement

"Plus500 entered FY 2021 in a very strong financial position, further building on our consistent track record of performance."

Penny Judd, Chairman

Revenue of

$872.5m

up 146% from the prior year

Total shareholder returns of

$278.3m

in FY 2020

“The Board made further progress in improving our corporate goverance framework and practices during the year.”

Our performance in FY 2020

2020 was an unprecedented year, during which we saw a significant increase in the opportunities for customers to trade and the further automation and increased accessibility of the global trading industry. These factors helped to drive significant growth in the overall addressable market.

Consequently, and fundamentally supported by the strength and differentiation of our proprietary technology, Plus500 delivered a record performance during FY 2020 achieving outstanding growth across all metrics. Our performance was further bolstered by continued organic investment during the year, particularly in marketing technology, to ensure we remain well placed for the future.

Total revenue for the year was $872.5m, up 146% from the prior year, supporting EBITDA growth of 168% to $515.9m. The Group’s balance sheet position continued to improve, with an increase of 103% in its cash balances at the end of FY 2020 to $593.9m.

Our results in FY 2020 further build on our consistent track record of operational and financial performance. Since our IPO in 2013, up until FY 2020, Plus500 has delivered revenue growth of 658%, operating cash conversion ranging between 88% and 108% and average EBITDA margins of approximately 57%. The Group has remained debt-free since its inception.

Outlook

Following the Group’s performance in FY 2020, and given its market-leading proprietary trading platform, its flexible and scalable business model, its robust financial position and consistent track record, the Board remains confident about the outlook for Plus500. This confidence is also based on the establishment of a refreshed vision and strategy, approved and signed-off by the Board in December 2020, which our Chief Executive Officer (“CEO”), David Zruia, discusses in the following pages. We intend to report on progress with, and actions to help us deliver on, this strategy going forward, starting in our Annual Report for FY 2021.

The Group has multiple opportunities from which to access future growth through both continued organic investment in its technology and targeted acquisitions. Supported by successfully accessing these growth opportunities, the Group aims to deliver growth and consistent levels of cash generation over the medium to long term. With this in mind, the Board looks forward to the coming year and beyond with optimism.

This positive outlook is also based on the commitment, expertise and conscientiousness of our people in continuing to deliver a consistently high level of service for our customers. We know that the current environment has been very challenging, given the COVID-19 pandemic, and the Board is extremely grateful to our people around the world for their continued dedication and hard work, and we continue to do all we can to maintain their well-being and safety.

Continued focus on Corporate Governance

During the year, the Board made further progress in improving our corporate governance framework and practices, in particular with an evolution of the Board’s composition. This will further enable the Board to support Plus500 management in delivering our future vision and strategy, as the Group enters the next phase of its evolution over the coming years.

There were a number of Board appointments made in FY 2020 and during Q1 2021, following several extensive executive search processes carried out by an external agency. These included the appointment of David Zruia as Executive Director and CEO during FY 2020. David was previously Chief Operating Officer of the Group for several years, where he drove substantial efficiency improvements in our back office operations. He has already made a significant positive impact as our CEO, from both strategic and operational perspectives.

The Company made a number of Non-Executive Director appointments during FY 2020 and in Q1 2021. Anne Grim and Tami Gottlieb were appointed as External Directors, (as defined on page 48), and Non-Executive Directors (“NED”) and Sigalia Heifetz was appointed as a Non-Executive Director. These appointments further expand the range of the Board’s expertise and experience, with a particular focus on continuing to diversify its gender composition, which remains a key priority for the Board, as it continues to improve its overall approach to Environmental, Social and Governance (“ESG”) matters.

At the start of FY 2021, as part of the evolution of the Board’s composition, the Company announced that two Directors were stepping down. Gal Haber, one of Plus500’s co-founders and its former CEO, stepped down from his executive position as a Managing Director and as a member of the Board in January 2021. Charles Fairbairn will be stepping down from his position as an External Director and Non-Executive Director at the Company’s Annual General Meeting (“AGM”), having joined the Board at the time of the Company’s IPO in 2013. The Board is extremely grateful to Gal and Charles for their significant contribution to the development of Plus500 over the years, and we wish them the very best for the future.

Chairman's Statement *continued*

The Board also established an ESG Committee during the year, chaired by Daniel King, with the objective of reviewing the Company's activities in these areas and aligning them with industry and market best practice. The ESG Committee initiated the development of a Materiality Assessment to identify key ESG priorities and risk factors and to help inform a framework for the Group's future approach in these areas. This assessment is outlined in detail on pages 28 and 29 of this Annual Report.

We recognise the importance of Board engagement with key stakeholders and have detailed our approach on this matter throughout this Annual Report, including details on specific engagement with major shareholders and shareholder advisory bodies on remuneration matters on pages 60 to 75.

The Board continues to monitor and review the Group's culture, values and performance primarily through regular discussions with our Executive Directors and their teams. This engagement is driven by Steve Baldwin, one of our Non-Executive Directors, in his role as a workforce engagement representative on the Board. This helps to provide a channel through which employees can raise their views and concerns directly to the Board, to help inform the Board's approach to supporting on-going improvements in our organisational culture and values.

"The Company has continued to offer attractive returns for shareholders."

Developments in the regulatory environment

The Group continues to ensure compliance with global regulatory standards and remains well positioned for any potential regulatory changes. The Group supports regulatory measures in the CFD industry and it believes that they are vital in helping to support the industry and in providing better care and protection for customers, particularly in the current uncertain environment.

In October 2020, the Australian Securities & Investment Commission ("ASIC") published its regulatory changes for the CFD industry in Australia, to be applied from 29 March 2021. The principal changes being:

- Leverage limits on the opening of a position by a retail client;
- A margin close-out rule on a per account basis;
- Negative balance protection on a per account basis; and
- A restriction on the incentives offered to trade CFDs.

Plus500 welcomes these changes as they are expected to enhance the CFD trading landscape and provide additional protection for customers. Importantly, Plus500 already operates in compliance with most of these changes and, in particular, has always offered negative balance protection and maintenance margin levels to all customers in all its markets. In addition, prominent risk disclosures are provided through all marketing campaigns and on the Company's websites.

Also, in October 2020, the Financial Conduct Authority ("FCA") announced that it was banning the sale of crypto-derivatives to retail customers in the UK and it published its final rules in this regard. This regulation took effect from 6 January 2021 but has had, and is expected to continue to have, very minimal impact on Plus500's financial performance.

Finally, there has been no disruption to the business or the service delivered to customers as a result of the Brexit agreement, which came into force at the start of FY 2021.

Shareholder returns in FY 2020

The Company has continued to offer attractive returns for shareholders, returning a total of $1,196.4m to shareholders since its IPO in 2013, including all dividends and the share buyback programmes in relation to FY 2020.

For FY 2020, subject to the completion of our new share buyback programme, the resulting total returns to shareholders amounts to $278.3m[1]. This includes a final dividend of $55.6m, an interim dividend of $101.0m and a special dividend of $29.4m. The special dividend is directly related to the benefits of the change in tax rate, achieved in FY 2020, following the Company's successful accreditation as a "Preferred Technological Enterprise" by the Israeli Innovation Authority and the Israeli Tax Authority. This is discussed in the Financial Review of this report. Also included in our total shareholder returns for FY 2020 are two share buyback programmes. These comprised of a new share buyback programme initiated in FY 2021 to acquire up to $25.0m of the Company's shares, and the completion of the previous share buyback programme of $67.3m, which was announced in August 2020 and completed in Q1 2021.

1. The actual dividend to be paid by the Company on the dividend payment date will be less than initially estimated since the Company repurchased additional Ordinary Shares between the date of dividend declaration and the record date of the dividend, which Ordinary Shares are held in treasury and not entitled to dividend payment."

New shareholder returns policy

During the year, the Board continued to assess the availability of excess capital, in light of potential opportunities for organic investment and targeted acquisitions to support the Group in its long term growth ambitions, as well as investment in the business's continuity over the long term, in particular to ensure that the Group has the appropriate levels of capital available to continue to manage the heightened platform usage. Given the substantial and clear growth opportunities currently available to the Group, the Board concluded that the profile of its capital allocation policy should be more weighted towards investment in future growth and on driving business continuity, as the business looks to increase its scale to capture and optimise the available growth opportunities. With this in mind, the Board updated its shareholder returns policy in February 2021 to ensure greater flexibility for future investment. The Company will now be returning at least 50% of net profits to shareholders through dividends and share buybacks, with at least 50% by way of dividends.

As with the previous policy, shareholder returns related to the new policy will continue to be based on a 23% corporate tax rate, for both future interim and final dividends. In addition, the Board will continue to consider paying special dividends at each year end. The Board will continue to assess the availability of excess capital going forward, to ensure there continues to be an optimal balance between shareholder returns, investment in future growth and in driving business continuity over the long term, in particular to ensure that appropriate levels of available capital are maintained.

Penny Judd
Chairman
24 March 2021

Why invest in Plus500?

Evolving from a technology company solely focused on CFDs to a multi-asset fintech group.

1. Robust functional infrastructure and financial foundation

- Strong balance sheet
- Debt-free since inception
- Cash generative and low cost model
- Embedded risk management culture and approach
- Rigorous compliance procedures and processes
- Operational and financial track record

2. Powerful proprietary technology platform

- Delivers competitive advantage in product and marketing
- Drives commercial and shareholder value
- Enables capture of material revenue opportunities
- Ensures customer-centric approach
- Adjust rapidly to regulatory changes

3. Enables significant growth opportunities

- **Expanding CFD offering geographically:** in new and existing markets;
- **Launch new trading products:** in addition to CFDs, for example share dealing;
- **Introduce new financial products:** apart from trading;
- **Deepen engagement with customers:** continuing to develop technologies to retain customers on the platform for the long term.

Q&A with the Chief Executive Officer

"There is a lot to be excited about at Plus500, as we continue to rapidly develop, innovate and grow the business."

David Zruia, Chief Executive Officer

You were appointed as CEO last year – what was your career background before then?

I was honoured to become CEO of the Group last year, having been part of the Plus500 team since 2010.

I graduated with a B.Sc. in Industrial Engineering and Management from the Technion Israel Institute of Technology, and joined Plus500 in 2010 as a senior manager in the marketing department. In that role, I helped to establish our marketing capabilities, with a view to building awareness of, and recognition for, the Plus500 brand in key markets around the world.

I then became COO in 2013, where I led the establishment and development of the operational division of the Group, including improving our payment processing, driving back office efficiencies, enhancing our customer service capabilities and improving our risk management processes. So, this background has really helped me to build a strong understanding of the Group and a deep knowledge of our customers and our markets, which has been an ideal platform for my role as the Group's CEO.

What are your initial perspectives since becoming CEO?

My overall perspective is that there is a lot to be excited about at Plus500, as we continue to rapidly develop, innovate and grow the business, and I am thrilled to be leading the Group as CEO at this time.

Firstly, I continue to be impressed by our proprietary technology, which provides a robust and agile platform for Plus500 to continue to innovate and develop our offering for customers. The strength and agility of our technology and its ability to respond rapidly to market developments and news events ensured that we delivered a record performance in 2020 and that we stay ahead of the competition.

Secondly, I am excited by the talent of my colleagues at Plus500 and I am very proud of their dedication and hard work. Our performance in FY 2020, and in the years before, was supported by their commitment, ensuring that our customers received a consistently high quality experience. We have an incredible team of highly skilled, agile and innovative people and I want to take this opportunity to thank them for all their effort and hard work. One of my key priorities is to ensure that Plus500 remains an exciting and fun place to work, to help continue to retain our high quality talent, as well as attracting the best people in the industry.

Thirdly, I am extremely excited about the future of our business. Supported by our technology and our people, I believe that Plus500 is in a very strong position from which it will develop and grow into the future. The coming years will be a fascinating journey for our people, our customers and our shareholders.

On that point, you have refreshed the vision and strategy for Plus500 – can you discuss this?

Over the last few months, we have been working closely with one of the world's leading global strategic advisory firms to formulate a new long term vision and growth strategy.

The refreshed vision is for Plus500 to enable simplified, universal access to financial markets, across devices, financial instruments and geographies. This vision will be driven by an evolution of the Group, as we start to transition from being a technology company solely focused on CFDs to a multi-asset fintech group over time.

I am confident that this new vision and strategy, supported by our success in accessing a number of significant growth opportunities over the coming years, will enable Plus500 to further evolve and grow.

This will take place through a greater degree of revenue diversification and higher customer retention, which will drive longer term customer tenure and value over time.

Can you outline the growth opportunities that you mention?

We see four major growth opportunities available to us.

Firstly, we aim to expand our CFD offering geographically, in both new markets and in markets where we already have a presence.

Secondly, we plan to launch new trading products, in addition to CFDs, in the coming years. For example, we aim to launch a share dealing platform in selected markets very soon.

Our third growth opportunity is to introduce new financial products, beyond trading products.

Our fourth growth opportunity is to deepen engagement with our customers, by continuing to develop our technology to attract customers, while maintaining a best-in-class customer experience to retain them over the long term.

Q&A with the Chief Executive Officer *continued*

How do you plan to access these growth opportunities? Does this involve any investment?

Future growth will be achieved through organic investment in our technology and targeted acquisitions, as and when appropriate.

Our immediate plans for organic investment are focused on further developing our R&D capability. Specifically, we will be incrementally investing approximately $50m over the next three years in R&D, including the establishment of a new R&D centre in Tel Aviv, to complement our existing R&D centre in Haifa. This investment will help us to develop more new products and services, to drive innovation and to further scale our technology, all of which will help to drive further customer attraction and retention.

With our vision, growth priorities and investment plan in mind, I believe that Plus500 remains very well positioned for sustainable growth in the future.

"Plus500 remains well positioned for the next stage in its evolution."

Turning to 2020, what were the key drivers of Plus500's performance during the year?

2020 was an exceptional year for Plus500, in unprecedented market conditions, where we delivered a record performance.

The primary drivers of this performance were the two major elements I mentioned earlier – our technology and our people.

The strength and agility of our technology demonstrated our unrivalled ability to respond rapidly to news and market events, as well as the scalability of the current infrastructure we have in place. We are able to do this while maintaining a sophisticated, efficient and responsible business model.

Our performance was also supported by the commitment of our people who, in challenging circumstances, given the COVID-19 pandemic, continued to work tirelessly for our customers.

These factors helped to deliver a record performance in 2020 and enabled us to provide a consistent level of service to our customers throughout what has been an unpredictable and uncertain market environment.

Which key metrics particularly highlight Plus500's performance in 2020?

Our excellent performance in FY 2020 was reflected across all operating and financial metrics.

We on-boarded a total of 294,728 New Customers, up from 91,388 in FY 2019, as a result of our significant on-going investment in marketing technology to on-board New Customers at an anticipated attractive return-on-investment. The number of Active Customers increased to 434,296, up from 199,720 in FY 2019.

In each of our reported regions, the number of Active Customers more than doubled, compared to FY 2019. Consequently, revenue growth in the year was substantial in each region, including 185% in the UK, 142% in EEA[1], 119% in Australia and 151% in the ROW[2].

Customer Churn was 30.1%, a significant reduction from 64.4% in FY 2019, reflecting successful efforts in customer retention, through investments in the Company's technology and its marketing technology initiatives.

A great measure of customer confidence in our technology is customer deposits which grew significantly to $2.9bn, from $1.0bn in FY 2019 and average deposits per Active Customer grew significantly to $6,586, from $5,116 in FY 2019.

Customer loyalty remained high, with 38% of our revenues in FY 2020 derived from customers trading on the platform for more than three years, from 27% in FY 2019, and 14% for more than five years, from 11% in FY 2019.

Finally, ARPU also increased substantially to $2,009, from $1,775 in FY 2019.

Our commitment:

Our response to COVID

Supporting our business and our stakeholders:

Our people:
Plus500 provided continuous support to our employees globally to help them tackle the day-to-day challenges that emerged as a result of the COVID-19 pandemic. These included increased support for home working, guidance and advice on wellbeing issues and increased flexibility around childcare and family support.

Our customers:
We continued to ensure a high quality service was delivered during the year, in the face of heightened platform usage. This was supported by several risk management features, which have been in place since the Group's inception. In addition, we continued to upgrade our educational and training tools for customers.

Our local communities:
We provided a monetary donation to a hospital in the local community, and funded the purchase of critical care medical equipment throughout the pandemic. In addition, we supplied IT resources, food packages and supplies to disadvantaged families in local communities.

Can you talk about Plus500's approach to risk management?

We maintain a robust, customer-centric approach to risk management, which has continued to deliver consistent results.

We continue to ensure that our risk exposures are aligned with our risk appetite, managing risk through real-time monitoring technology and pre-defined risk limits and thresholds. In 2021, in light of the heightened volatility that exists, particularly in equity markets, the Group has implemented targeted hedging, executed on a limited basis so far, to help reduce market risk.

This adds another dimension to our existing risk management approach and can be achieved as a result of our real-time monitoring technology and our ability to have full visibility on customer positions and exposures across all underlying assets. This approach will continue to be deployed in certain circumstances going forward, as and when appropriate.

To ensure all customers globally benefit from high quality trading execution, the Group offers customers several risk management features, such as negative balance protection (to ensure guaranteed limits on potential customer losses). These features have been embedded within our technology since the business was founded, well ahead of them being required under regulatory standards introduced in some regions in recent years.

What is your view of the outlook for FY 2021 and beyond?

Following our performance in FY 2020, which builds on our track record from previous years, we remain confident about the outlook for Plus500.

FY 2021 revenue will be driven through the Group's continued underlying growth of Active Customers and its on-going success in attracting New Customers, with additional focus on retention, helping to support further underlying growth of Customer Income, a key growth metric.

FY 2021 EBITDA will be supported by Plus500's lean, flexible cost base and efficient business model, with continued dynamic technological marketing investments to capture opportunities to drive attractive return-on-investment over time.

Supported by successfully accessing the growth opportunities I mentioned earlier, we aim to deliver growth and consistent levels of cash generation over the medium to long term.

As a result, Plus500 remains well positioned for the next stage in its evolution.

David Zruia,
Chief Executive Officer
24 March 2021

1. EEA – European Economic Area, excluding the UK
2. ROW – Rest of the World

Shaping the trading platform for tomorrow

Investing in R&D

A major focus for investment is on further developing our R&D capabilities. We will be incrementally investing approximately $50m over the next three years in R&D, in addition to our on-going investment in that area. This includes the establishment of a new R&D centre in Tel Aviv, to complement our existing R&D centre in Haifa. Tel Aviv is a leading R&D hub for global technology firms, so there is an opportunity to pool knowledge and attract talent, with a view to further enriching our own capabilities and expertise.

In Israel, we are recruiting engineers, programmers, web designers and product managers to help us scale up our R&D capabilities over the coming years. This investment in R&D will help us to deliver on our vision of enabling simplified, universal access to financial markets. This will be achieved by developing more new products and services, driving innovation and further scaling our technology, all of which will help to drive further customer attraction and retention.

$50m

Incremental investment in R&D over the next three years

> "Increased investment in R&D will drive innovation and further scale our technology."

Ari Shotland, Plus500 Chief Technology Officer

Our technology and key market trends

Powerful technology

Plus500's record performance in FY 2020 was achieved as a result of the strength and differentiation of the Company's proprietary technology, which provides a robust and agile platform for Plus500 to continue to innovate and develop its offering for customers.

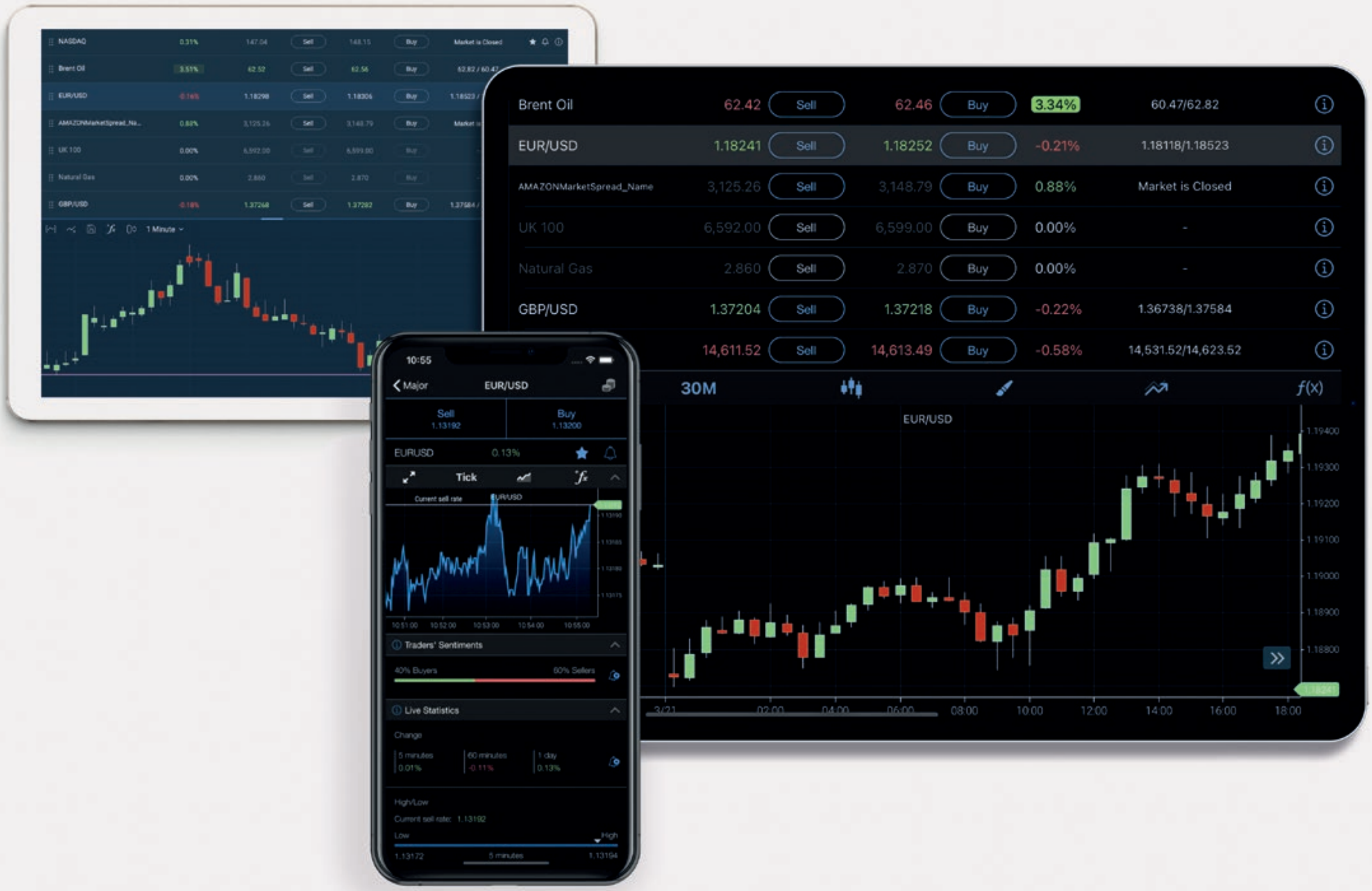
The proprietary nature of Plus500's technology enables the Group to respond rapidly to customer requirements, emerging news-driven events and regulatory changes. In addition, with the Company incrementally investing approximately $50m over the next three years in its R&D capabilities, Plus500 will be able to help drive customer acquisition and retention over time.

During FY 2020, the Company continued to invest in its systems architecture, to support increased platform usage and to ensure a consistent level of service for customers. Significant progress was made in modernising the systems infrastructure of the platform during the year, particularly with the implementation of Google Cloud Services, with its data lake technology and artificial intelligence capabilities. This provides further flexibility, security and scale to the platform, additional server capacity and redundancy, as well as enhanced data analysis, data processing and business intelligence capabilities.

Importantly, there was a consistent level of service delivered for customers during the year which was particularly notable, given the heightened levels of trading volumes and platform usage being managed on the platform.

The Group conducted a wide-ranging customer survey during the year, covering over 50 countries in a variety of languages. Using the insights from this survey, the Group was able to implement further improvements in the trading experience for customers, in alignment with their requirements. This included the introduction of a number of new features, chart enhancements, design upgrades, service optimisations, analysis tools and tailored solutions.

In addition, the Group continued to upgrade its educational and training tools for customers, to ensure customers fully understand the various trading tools available, overall market dynamics and the risks involved in trading CFDs. With this in mind, Plus500's "Trader's Guide" was upgraded during the year, a downloadable "eBook" was introduced to the platform and a "market insights" newsfeed was initiated.



** For illustrative purposes*

Key market trends in FY 2020 and Plus500's market position

A number of market trends emerged in 2020 and had an influence on the performance of the Group during the year.

The unprecedented and uncertain environment, along with the volatility that it produced across global markets, drove an unparalleled number of opportunities for customers to trade throughout the year. This was evidenced by the level of usage on Plus500's platform, with over 82m customer trades being executed in FY 2020, up from c.35m in FY 2019.

In addition, the global trading industry saw further automation, with more user-friendly technologies being introduced and developed. This drove greater accessibility to, and popularity of, online channels by customers. To illustrate this, over 79% of Plus500's revenue was generated from mobile or tablet devices and more than 74% of all customer trades took place on mobile or tablet devices in FY 2020. Driven by the COVID-19 pandemic, these factors supported an expansion in the overall size of the addressable market, with increasing interest in trading from New Customers.

These dynamics created a significant opportunity for compliant, technology-based operators, like Plus500, to provide a consistent level of service for customers in this environment.

Importantly, regulatory scrutiny continued, ensuring on-going customer protection and also creating barriers to entry for smaller, non-compliant new operators. This ensured a highly regulated and high quality service was delivered for customers across the industry as a whole.

With these market trends in mind, Plus500 was extremely well placed to manage the consequent heightened trading volumes, supported by its technological capabilities and its committed and skilled workforce.

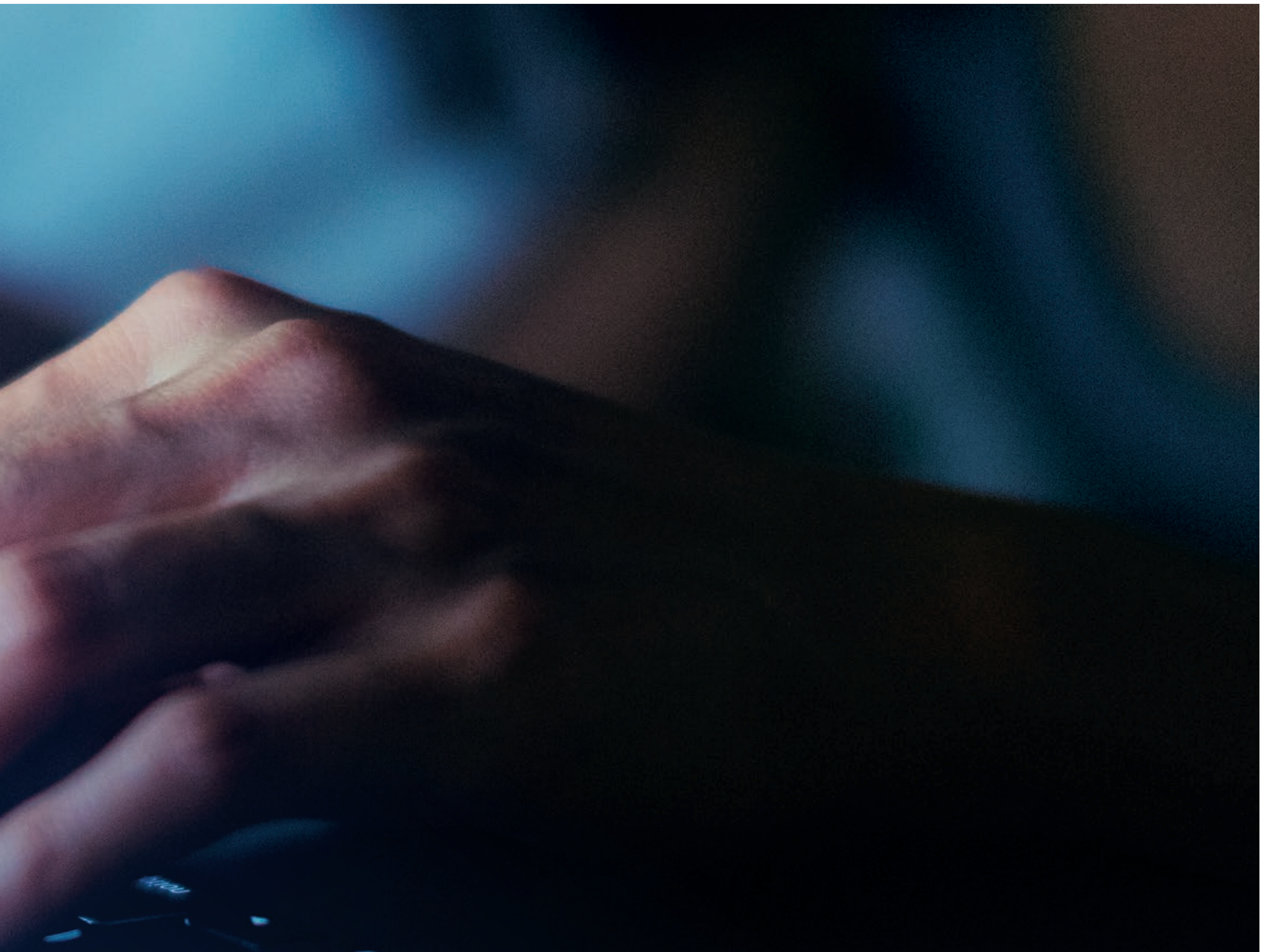
As evidence of this, Plus500 maintained its leading positions in its key markets in FY 2020 and, for the third year in a row, remains the largest CFD provider in the UK, Germany and Spain, based on Investment Trends 2020 Leverage Trading Reports[1].

1. Based on the total number of relationships with CFD traders for the UK and on the total number of client relationships for Germany and Spain

"Plus500's on-going marketing technology investment drives our continued success in customer acquisition and retention."

Nir Zatz, Plus500 Chief Marketing Officer

Dynamic and flexible approach to marketing



Our investment in marketing

Plus500 continues to invest in targeted marketing technology initiatives, as well as in artificial intelligence and big data projects, to further drive customer acquisition and retention. During FY 2020, Plus500 increased the level of its investment in these initiatives, in light of the clear and substantial opportunities available to on-board New Customers at an anticipated attractive return-on-investment and to drive further retention. This investment was focused on further increasing the efficiency of our marketing campaigns, through initiatives which aimed to attract more potential high value customers and to further improve retention rates.

The Company's dynamic and flexible approach to marketing is based on its ability to monitor and control its marketing and customer acquisition spend, ensuring marketing resources are efficiently targeted, with campaigns consequently delivering measurable results. Plus500 believes this unique and wholly-owned marketing technology remains a fundamental driver to the prospects and performance of the Group, driving customer retention and cohort value over the long term.

The Company continued to invest in offline marketing initiatives to complement its investment in marketing technology initiatives. During FY 2020, the Company signed new sports sponsorships with Atalanta B.C. in Italy, BSC Young Boys Football Club in Switzerland and Legia Warsaw in Poland. The Company also extended its existing sports sponsorships with Club Atlético de Madrid in Spain and the Plus500 Brumbies in Australia.

294,728

New Customers on-boarded during FY 2020, up 223% from FY 2019

Our four pillar roadmap to access long term growth and value

Plus500 Vision and Strategy

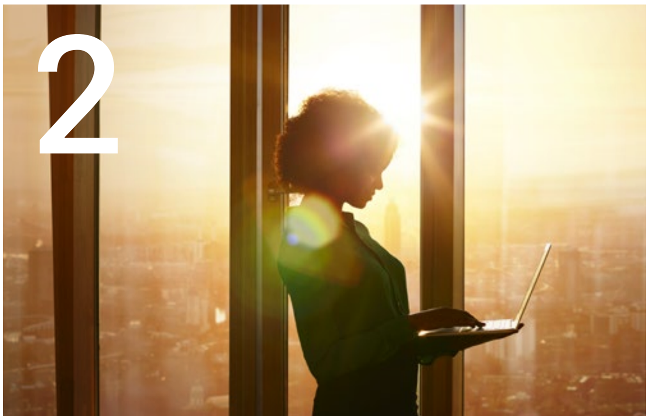
Plus500 aims to enable simplified, universal access to financial markets, as the Group starts to evolve from a technology company solely focused on CFDs to a multi-asset fintech group over time.

Robust financial foundation and functional infrastructure:

The Group's business model is built on a robust financial foundation, with a consistently high level of cash generation, a resilient balance sheet, a flexible and lean cost structure, and minimal capital expenditure requirements.

These strong financial dynamics, driven by a highly scalable and lean business model, have helped us to maintain industry-leading positions in a number of key markets.

This business is also supported by a solid functional infrastructure, with an embedded risk management approach, rigorous compliance procedures and processes, supported by high calibre talent and expertise across a range of specialisms and geographies.

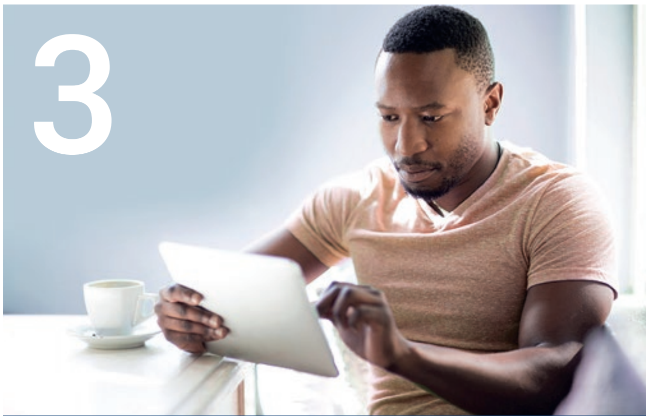


Powerful proprietary technology:

Plus500 operates a proprietary technology trading platform for customers to trade CFDs internationally, which is also a key enabler for Plus500 to capture material revenue opportunities and a major driver of competitive advantage and commercial value.

Our technology powers our product, marketing capabilities and back office operations, providing a robust and agile platform for us to continue to innovate and develop our offering for customers.

Our technology ensures that we have an unrivalled ability to rapidly respond to news and market events, as well as to any regulatory changes, even in today's unprecedented and uncertain market environment.



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Customer-centric approach:

Plus500 has maintained a consistent customer-centric approach, supported by the well-established Plus500 brand, our strong market reputation and a high quality product.

Importantly, as a result of the strength of our technology, we have been able to continue delivering a consistently high quality service for our customers, driving our engagement with them.

We have also continued to invest in our dynamic marketing technology engine, to on-board New Customers at an anticipated attractive return-on-investment and to drive further retention. Together, these factors have ensured the development of a significant, loyal customer base over time.

4

Significant potential growth opportunities:

Future growth will be achieved by accessing multiple opportunities, through organic investment in the Group's technology and targeted acquisitions. To access future growth, the Group aims to:

- Expand its CFD offering geographically: in new and existing markets;
- Launch new trading products: in addition to CFDs, for example share dealing in selected markets;
- Introduce new financial products, apart from trading; and
- Deepen engagement with customers: continuing to develop the technology to attract customers, while maintaining a best-in-class customer experience to retain them over the long term.

Our Business Model

Resources and relationships

Financial Capital
The Group has built a strong financial track record, maintaining a debt-free balance sheet since inception, with a lean and flexible cost structure. **Read more on page 32**

Regulators
Regulatory activity affects the environment within which Plus500 operates.

Human Capital
Human capital is a key element in the ongoing optimisation and management of the Group's technology platform and its ability to recruit and retain customers. **Read more on page 28**

Technology
Plus500 operates its robust and agile trading platform which is based on its proprietary technology. **Read more on page 14**

Sponsorship Partnerships
Plus500 has sponsorship agreements with leading sports teams around the world, to support growth in brand awareness and brand recognition in key markets.

Service Providers
Plus500 works in partnership with a number of providers which deliver services to support the Company in certain activities.

How we create and maximise value

Responding to market trends…

Unprecedented market environment: more frequent opportunities for customers to trade

Increasing interest in trading: size of the addressable market expanding

Further automation & user-friendly technologies: greater accessibility to, and popularity of, digital channels by customers

On-going regulatory scrutiny: barriers to entry for smaller players and continued customer protection

With a clear strategy…

Expand CFD offering geographically:

in new and existing markets

Launch new trading products:

in addition to CFDs, for example share dealing in selected markets

Introduce new financial products:

apart from trading

Deepen engagement with customers:

continuing to develop the technology to attract customers

Underpinned by…

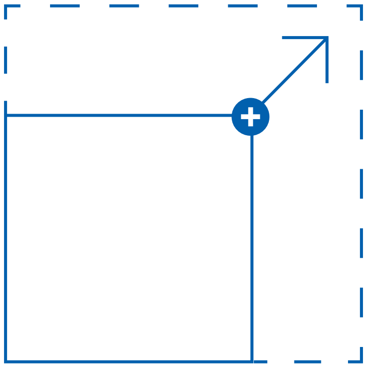
Comprehensive risk management

Proprietary risk management that incorporates real-time functionality risk management systems and trading threshold triggers to reduce risk

Sound governance

The Plus500 Board is comprised of a diversified and experienced group of individuals with extensive knowledge across a number of disciplines

Our robust and scalable business model creates value for our stakeholders



Value created in FY 2020

EBITDA
$515.9m

Net profit
$500.1m

Operating cash conversion
106%

Shareholder returns
$278.3m

Customer deposits
$2.9bn

Growth in Active Customer base
117%

How we share value

Shareholders and investors
Attractive returns through capital growth, ordinary and special dividends and share buybacks. Total returns in dividends and share buybacks since IPO in 2013 amount to approximately $1.2 billion

Regulators
The Group contributes to round table discussions within the industry and holds regular dialogue with global regulators

Employees
Providing rewarding careers, with opportunities for our people to achieve long term development and progression

Customers
Customers enjoy a highly rated, robust and scalable, user-friendly trading platform with a leading position in the mobile space. Intuitive navigation and consistency minimises the learning curve between devices and improves user experience

Sponsorship partners
The cooperation of the Company with its sponsorship partners provides all parties with stronger brand recognition

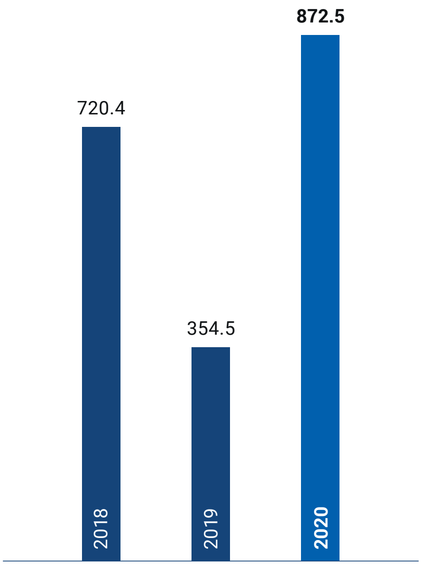
Service providers
Ongoing growth of the business ensures continued support of, and collaboration with, Plus500's service providers

Key Performance Indicators ("KPIs")

"Our KPIs are used to benchmark revenue generation and operating costs, and the effectiveness of the Company's on-going investment in technology to maximise efficiency and returns on investment."

Financial KPIs

Revenue ($m)

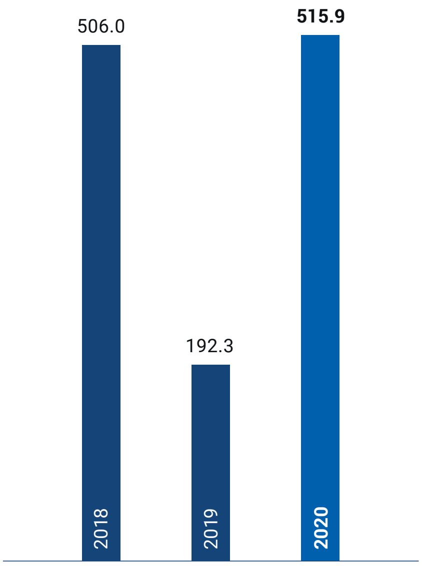


What it is
The Group's revenue is the income it generates through Customer Income and Customer Trading Performance.

Why we measure it
Revenue is a measure of the Group's ability to maximise the strength of its technology, representing the total income generated from customer transactions in the relevant financial period.

2020 performance
Revenue of $872.5m
(FY 2019: $354.5m)

EBITDA ($m)



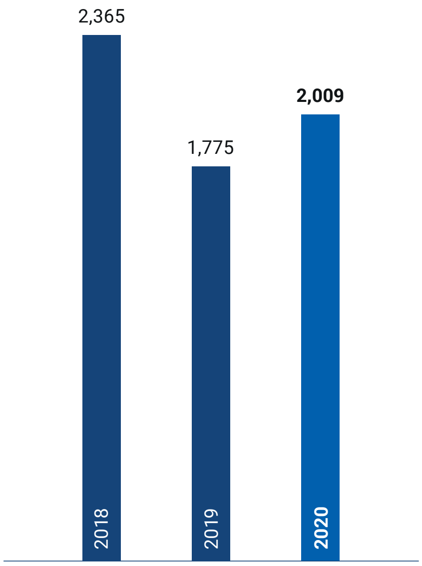
What it is
EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

Why we measure it
EBITDA is a measure of the Group's profitability and can be used to directly compare the Group's profitability to that of other companies and other sectors.

2020 performance
EBITDA of $515.9m
(FY 2019: $192.3m)

Non-financial KPIs

ARPU ($)



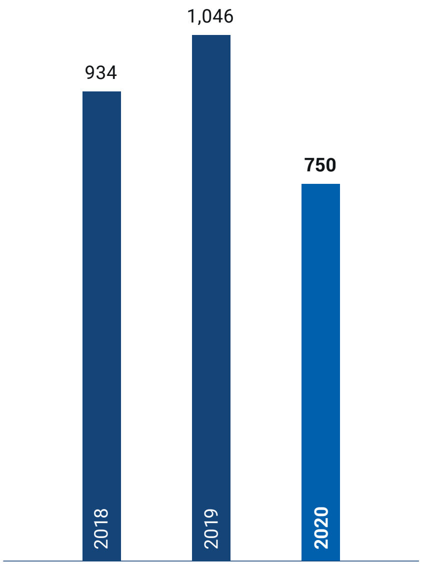
What it is
ARPU is calculated by dividing the revenue by the number of Active Customers in the relevant period.

Why we measure it
This measure helps to provide an understanding of the average revenue we are generating on a customer-by-customer basis. This helps us to identify and optimise our customer acquisition strategies to deliver an attractive return-on-investment over time.

2020 performance
ARPU of $2,009
(FY 2019: $1,775)

Customer Trading Performance – Gains/losses on customers' trading positions

Average User Acquisition Cost (AUAC) ($)

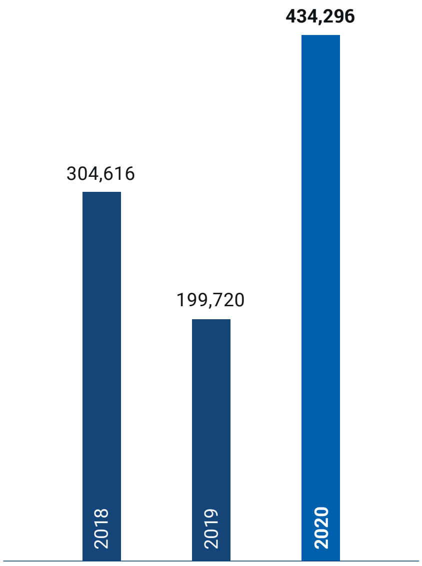


What it is
AUAC shows the average cost of attracting a new customer and is calculated by dividing our total marketing expenses by the number of New Customers in the relevant period.

Why we measure it
AUAC is a reflection of the marketing cost of recruiting new customers in the relevant period.

2020 performance
AUAC of $750
(FY 2019: $1,046)

Active Customers

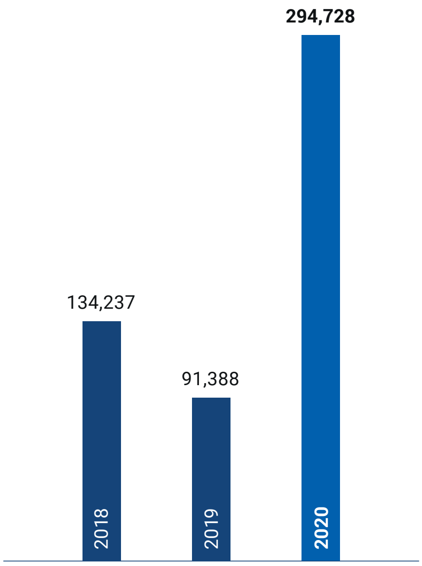


What it is
Active Customers are customers who made at least one trade using real money (rather than trading through a demo account) on the trading platform in the relevant period.

Why we measure it
This measure reflects the level of customer activity on the trading platform during the relevant period. It is an indicator of how successful the Group is in attracting and retaining customers, with a view to delivering sustainable revenue and profits.

2020 performance
434,296 Active Customers
(FY 2019: 199,720)

New Customers



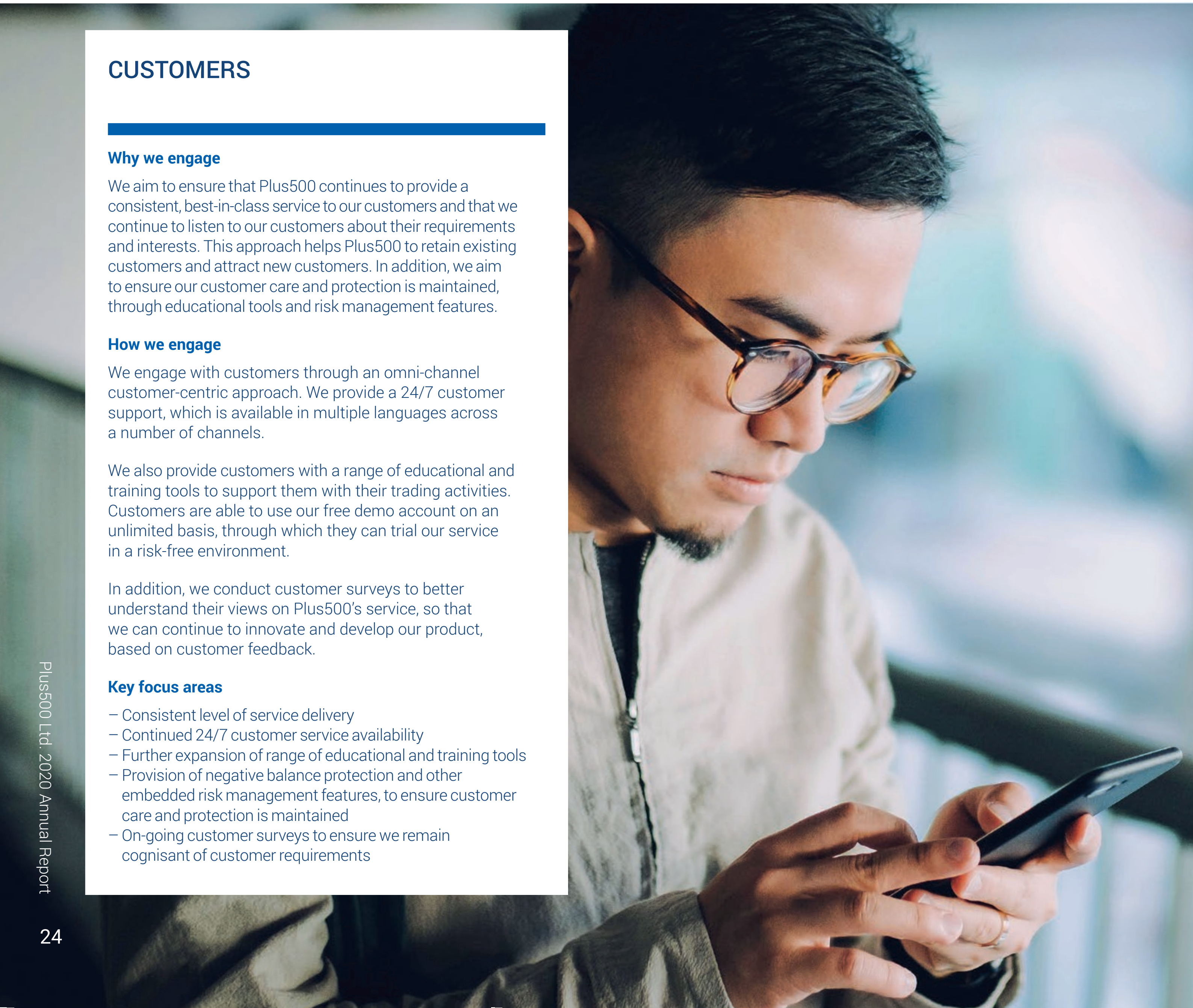
What it is
New Customers are customers who have deposited real money into their trading account for the first time.

Why we measure it
This metric tracks the number of new customers the Group attracts on a year-on-year basis. This helps us to understand the success of our technological capabilities.

2020 performance
294,728 New Customers on-boarded
(FY 2019: 91,388)

Key Stakeholder Relationships

The Group aims to develop long-lasting and valuable relationships with its key stakeholders through open and consistent engagement and communication, with a view to ensuring their views and concerns are clearly understood by the Board and fully incorporated into the Board's discussions and decision-making.



CUSTOMERS

Why we engage

We aim to ensure that Plus500 continues to provide a consistent, best-in-class service to our customers and that we continue to listen to our customers about their requirements and interests. This approach helps Plus500 to retain existing customers and attract new customers. In addition, we aim to ensure our customer care and protection is maintained, through educational tools and risk management features.

How we engage

We engage with customers through an omni-channel customer-centric approach. We provide a 24/7 customer support, which is available in multiple languages across a number of channels.

We also provide customers with a range of educational and training tools to support them with their trading activities. Customers are able to use our free demo account on an unlimited basis, through which they can trial our service in a risk-free environment.

In addition, we conduct customer surveys to better understand their views on Plus500's service, so that we can continue to innovate and develop our product, based on customer feedback.

Key focus areas

- Consistent level of service delivery
- Continued 24/7 customer service availability
- Further expansion of range of educational and training tools
- Provision of negative balance protection and other embedded risk management features, to ensure customer care and protection is maintained
- On-going customer surveys to ensure we remain cognisant of customer requirements

Engaging

EMPLOYEES

Why we engage

Organisational culture and employee well-being are critical in ensuring that our service is delivered to customers, through the on-going development of our technology by our employees, on a consistent, long term basis. With this in mind, the Group regards its talented and committed employees as its key asset to enable its technology.

How we engage

The Group undertakes regular evaluation processes for employees and provides competitive reward packages to attract and retain high quality employees. We encourage employees to participate in training, learning and development, and make them aware of possible career progression opportunities within the Group. We provide our people with a dynamic work environment, with high quality office facilities, and the opportunity to engage in a number of social activities and community engagement programmes. One of our Non Executive Directors, Steve Baldwin, is the workforce engagement representative on the Board to provide a channel through which employees can raise their views directly to the Board, informing the Board's approach to supporting improvements in organisational culture. In 2020, Steve reported that employee engagement and satisfaction were high, with our employees appreciating the Group's enhanced efforts to maintain their safety and well-being.

Key focus areas

- Consistent internal communication on developments within the Group and across our industry
- Continued opportunities for training, learning, development and career progression
- Continued communication of employee matters to the Board

REGULATORS

Why we engage

Regulatory oversight is an integral part of the Group's business, as its regulated subsidiaries retain operating licences and are supervised by various regulators around the world, to ensure that we are offering our service within the appropriate regulatory rules and guidelines. Regulatory compliance procedures are constantly reviewed and enhanced, with a culture of compliance embedded within the business, including open and constructive communications with relevant regulatory bodies.

How we engage

The Group communicates with regulators on an on-going, constructive and open basis and we participate in a number of regulators' co-ordination groups. In addition, we contribute to public consultations issued by regulators on relevant industry matters.

Key focus areas

- Continued compliance with appropriate laws, global regulatory standards and industry best practices
- Rapid implementation of regulatory changes, driven by our proprietary technology
- On-going communication with, and support of, regulators in current and potential future regulatory jurisdictions

Key Stakeholder Relationships
continued

COMMUNITIES

Why we engage

Engagement with local communities is crucial from social welfare and sustainability perspectives and, with this in mind, the Group continues to support its local communities.

How we engage

The Group participates in a number of projects to support and assist local communities and charities. These include on-going monetary contributions and the provision of resources and equipment to a number of charities, non-profit organisations, community centres and disadvantaged families in local communities. The Group also maintains strategic partnerships and alliances with community partners, including our on-going collaboration with top tier academic institutions, for example the Technion – Israel Institute of Technology, through which we participate in several innovation and entrepreneurship initiatives.

Key focus areas

- Continued financial donations
- On-going supply and provision of resources and equipment
- Further employee engagement in local community projects, on behalf of Plus500
- Continued focus on strategic partnerships with top tier academic institutions

INVESTORS

Why we engage

Plus500 aims to provide fair, balanced and understandable information to investors and shareholders, to ensure their continued support of the Company. Maintaining a close connection to its shareholders through clear and transparent dialogue continues to be a major focus for the Group. The Company continues to seek ways in which to enhance its relationship with investors.

How we engage

An open dialogue with investors is achieved through one-to-one meetings, results presentations, conference attendance and group meetings, such as the Annual General Meeting. In addition, the Company produces a variety of investor-focused material, including annual reports, news published on the Regulatory News Service and investor presentations, which are available on a dedicated section of the Plus500 website. The Group recruited a dedicated Investor Relations professional to manage our investor engagement going forward.

Key focus areas

- On-going transparent dialogue with investors
- Open lines of communication for shareholders
- Regular collection of investor feedback and dissemination to the Board
- Executive management participation in investor-focused events and activities

SERVICE PROVIDERS

Why we engage

Plus500 works with various service providers who support the Group with certain activities relating to the Plus500 trading platform.

How we engage

We build strong partnerships with service providers through an open two-way dialogue to ensure we can develop long term valuable relationships.

Our relationships with our service providers include the on-going review and monitoring of their performance levels, to ensure that the Group is achieving quality and value from the provision of their services. Ultimately, this helps to build mutually beneficial relationships with our service providers.

Key focus areas

- On-going informal and formal two way dialogue with our service providers
- Continued fair treatment of service providers in our dealings with them
- Payment of service providers in a timely manner

SPONSORSHIP PARTNERS

Why we engage

Plus500 continues to engage in sports sponsorship agreements to help drive brand recognition and further build brand awareness globally and in local markets. The Group has various sports sponsorship agreements in place with organisations who share the same core values as Plus500. These include Club Atlético de Madrid in Spain, the Plus500 Brumbies in Australia. Atalanta B.C. in Italy, BSC Young Boys Football Club in Switzerland and Legia Warsaw in Poland.

How we engage

We maintain a positive two way relationship with the teams which we sponsor. This is driven by factors such as on-going online and offline marketing campaigns and the prominence of the Company logo on team jerseys and other related sports media.

These factors help to ensure a mutually beneficial relationship, enhancing both Plus500 and the brands which we sponsor.

Key focus areas

- Continued two way dialogue
- Potential brand awareness opportunities for the Group

Our approach to Environmental, Social and Governance ("ESG") matters

Our technology and performance are only as strong as the people behind it. With around 400 people spanning eight offices globally, our high calibre talent enables flexible trading.

Plus500 remains dedicated to operating responsibly and sustainably in all aspects of its business and believes this approach is both its duty and an essential part of effective management. Plus500 is committed to a range of ESG initiatives to create tangible value for our people, customers, local communities and charities and the Company's shareholders. Our core values in this area are:

- Putting our customers and stakeholders first
- Leading the industry by delivering an innovative, high quality product
- Maintaining a dynamic and creative work environment

During 2020, the Board established an ESG Committee with the objective of regularly reviewing the Group's activities in these areas and aligning them with best practice. An introduction to the ESG Committee by Daniel King, its Chairman, can be found on page 59 of this Annual Report.

Materiality Assessment

The ESG Committee initiated a materiality assessment to identify key ESG priorities and risk factors, to help establish a framework for the Group's future approach in these areas and, ultimately, to increase the Group's resilience over the long term. The assessment was prepared in conjunction with a third-party specialist ESG consultancy, to ensure independent verification of the process.

A range of external sources were used as reference points for this assessment, including internationally accepted standards and frameworks, such as SASB (Sustainability Accounting Standards Board) and GRI (Global Reporting Initiatives), industry trends, as well as market best practice and investor sentiment on ESG matters. The insights that formed the basis of the assessment were developed following a series of internal and external interviews on Plus500's exposure to ESG risks and opportunities, conducted by the specialist ESG consultancy and Plus500 representatives.

The matrix on the following page shows Plus500's material ESG issues against their importance to external stakeholders and to Plus500. In-line with best practice, Plus500 has also considered its current level of influence over these issues. This will help to structure the Group's approach in 2021.

Overall, there were several consistent themes that emerged from the interviews, with the most material matters for Plus500 identified as follows:

- Customer care and protection: ensuring customers remain protected from, and well informed of, the risks of trading CFDs. This was seen not only as a specific risk to Plus500, but also across the industry, in relation to regulation around customer care and protection;
- Information and data security: ensuring that Plus500's technology remains highly secure and immune from breaches of privacy, particularly around personal information and data;
- Systems infrastructure: maintaining a robust systems infrastructure, with embedded risk management features and in-built redundancy, to ensure that Plus500 customers receive a consistent level of service;

- Leadership and governance: Plus500 must remain in compliance with applicable governance requirements and regulations. Investors were particularly interested in this area, with a specific focus on Board composition and diversity, and ensuring that Plus500 remuneration policy is aligned with long term shareholder interests; and
- Organisational culture: employee welfare and development, to ensure that Plus500 continues to attract and retain high quality talent.

ESG in 2020

Notwithstanding the Group's Materiality Assessment and its coming role in future strategy, Plus500 takes seriously its role as a responsible business and is already taking significant steps to mitigate many of these risks, partly through continued engagement with key stakeholders. The Risk Management Framework and Key Stakeholder Relationships sections of this Annual Report outline how the Group is mitigating these risks in more detail.

Organisational culture

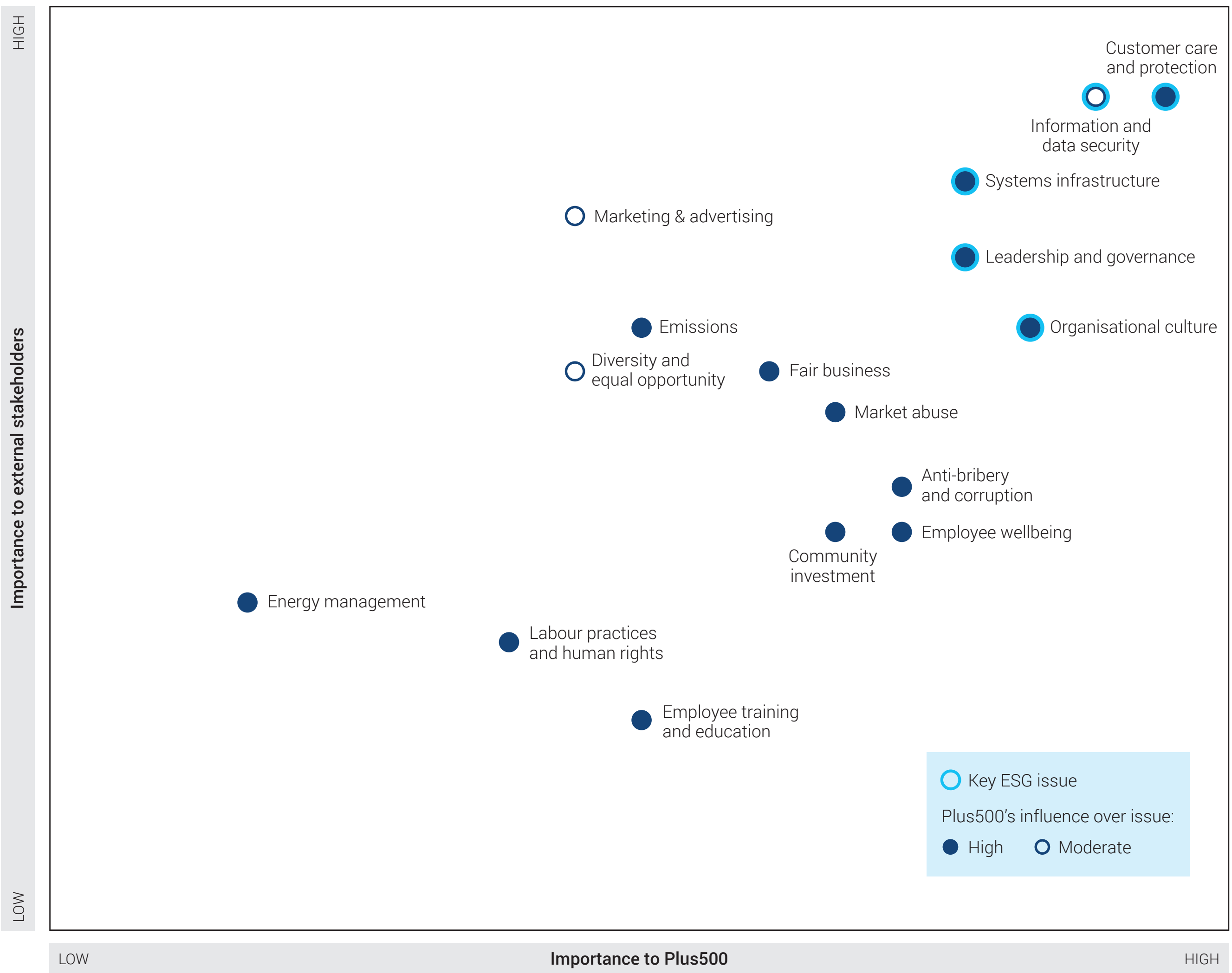
Our commercial success depends on the ability of our people to continue to excel with the development of our technology for our customers. With this in mind, we strive to maintain a culture in which our highly talented people can thrive, develop and engage with management and fellow colleagues.

Plus500 operates in an entrepreneurial, innovative environment with a culture that creates continuous improvement in employee development and ultimately leads to enhancements in the capability of our technology.

In a highly competitive technology market, we offer our people rewarding careers with opportunities for training, development and career progression. We are committed to fair wages for all employees and we enable them to participate in our success through competitive reward packages, alongside share-related benefits that are linked to the financial and operational performance of Plus500.

We are committed to equal opportunity in employment and to creating, managing and valuing diversity in our workforce. We maintain an Equality and Diversity Policy with respect to hiring, promotion, compensation, training and assignment of responsibilities, termination, or any other aspect of the employment relationship.

ESG materiality matrix – assessing the importance of risks for Plus500 and for external stakeholders



Our approach to ESG matters *continued*

Employee wellbeing and human rights

We are fully committed to the health, safety and wellbeing of our people and we aim to provide them with the most optimal conditions to support a healthy and balanced work environment. We encourage our people to make use of our office facilities and to participate in organised social activities, which include access to a private gym, yoga classes, team retreats, a varied library, a fully equipped kitchen and other benefits and social events.

In FY 2020, the Group provided continuous support to employees globally to help them tackle the day-to-day challenges that emerged as a result of the COVID-19 pandemic. These included increased support for home working, guidance on wellbeing issues and flexibility around childcare and family support.

Plus500 is committed to maintaining high ethical standards and protecting human rights across its operations and supply chain. The Company's Human Rights and Modern Slavery Statement pursuant to Section 54 of the UK Modern Slavery Act 2015 can be found on the Company's website.

Employee diversity

Our people come from diverse backgrounds and we ensure that all our employees, both prospective and current, are given access to equal opportunities. All employees, whether they are part-time, full-time, or temporary, will be treated fairly and with respect.

We are committed to:

- Creating an environment in which individual differences and the contributions of all team members are recognised and valued
- Creating a working environment that promotes dignity and respect for every person
- Not tolerating any form of intimidation, bullying, or harassment, and to discipline those that breach the policy
- Ensuring availability of training, development and progression opportunities for all of our people
- Promoting equality in the workplace
- Encouraging anyone who feels they have been subject to discrimination to raise their concerns and to take those concerns seriously
- Regularly reviewing all employment practices and procedures so that fairness is maintained at all times

The Equality and Diversity Policy is monitored and reviewed annually by the Board to ensure that equality and diversity is continually promoted in the workplace.

Gender equality

We are committed to the progression of our talented women at Plus500 and we are encouraged that our female representation across the Group is relatively strong. Our gender diversity statistics as of 31 December 2020 are as follows:

AS OF 31 DECEMBER 2020	MALE	FEMALE	TOTAL
Board	6 (75%)	2 (25%)	8
Senior management	15 (65%)	8 (35%)	23
All Employees	180 (48%)	197 (52%)	377

Senior management in the above table includes Executive Directors and the first layer of management below.

At the start of FY 2021, gender diversity at the Board level was improved further, with the appointments of Sigalia Heifetz as a Non-Executive Director and Tami Gottlieb as an External Director and a Non-Executive Director. Consequently, as of the date of the Annual Report, female representation on the Board comprised 44%. These appointments not only continue to diversify the Board's gender composition, but also further expand the range of the Board's expertise and experience. Plus500 believes that diversity across the Board and the Group is an important element in maintaining competitive advantage and effective governance, as well as mitigating the risk of a "group think" culture. More information on the Board's Equality and Diversity Policy can be found on page 53 of this Annual Report.

Anti-bribery and anti-corruption

As a UK listed company we are subject to the 2010 UK Bribery Act and, as an Israeli-incorporated company, we are also subject to anti-bribery and anti-corruption provisions under Israeli corporate law. Plus500 operates a zero tolerance approach to bribery and corruption. The Company's Anti-Bribery Policy ensures it conducts all business in an honest, ethical manner whilst acting professionally and fairly with integrity in business dealings and relationships. This policy applies to all our people, as well as, consultants, contractors, trainees, seconded staff, homeworkers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any subsidiaries or their employees, wherever located.

This policy covers:

- Bribes;
- Gifts, hospitality and expenses;
- Facilitation payments;
- Third party suppliers or agents;
- Client entertainment and benefits;
- Political contributions; and
- Charitable contributions.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all of us. All individuals are required to avoid any activity that might lead to, or suggest, a breach of the policy. Internal control systems and procedures are subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

Training on the Anti-Bribery Policy forms part of the introduction process for all of our new recruits. All of our people receive regular, relevant training on how to implement and adhere to the policy and are asked to formally confirm compliance with the policy on an annual basis.

The Board's Regulatory & Risk Committee reviews the implementation of the Anti-Bribery Policy. Every year the Committee considers the policy's suitability, adequacy and effectiveness.

Customer care and protection

Customer care and protection is an important matter across the industry. Plus500 continues to ensure this remains a key priority, particularly given increasing regulatory scrutiny in this area.

The Company is making strong progress in this regard, in particular to educate and inform customers of the risks involved in CFD trading, through prominent risk warnings and an increasing number of educational features on its platform.

"Plus500 remains committed to operating responsibly and sustainably in all aspects of its business."

Measures such as negative balance protection and maintenance margin protection, embedded in Plus500's technology since the inception of the Company, remain crucial in ensuring customers are well protected.

The Group continues to ensure compliance with global regulatory standards in this area and remains well positioned for any potential future regulatory changes.

Community engagement

We encourage our people to get involved and contribute to the community they live in. Workforce social initiatives are being supported by our Social Responsibility and Community Relations Committee comprised of workforce volunteers, which oversees the planning and performance of relevant activities. During the COVID-19 pandemic, the Company provided a monetary donation to a hospital in the local community, funded the purchase of critical care medical equipment and provided food packages, supplies and IT equipment to disadvantaged families in local communities, non-profit organisations and charities.

The Group participated in a number of other projects in FY 2020 to support and assist local communities, charities and the Group's employees during the year. These included on-going monetary contributions to various charities, including the Australia Bushfire Relief.

Plus500 also maintains strategic partnerships and alliances with community partners, such as our ongoing collaboration with top tier academic institutions like the Technion – Israel Institute of Technology, participating in innovation and entrepreneurship initiatives.

Impact on the environment

We conduct our business using an online technology platform and therefore we have a relatively low environmental impact. Nonetheless, we are committed to managing our environmental impact and are fully aware that by considering the environment in our decision-making, particularly around technology adoption and office selection, we can minimise our impact.

Despite our relatively small emissions footprint, we aim to continually assess and review climate-related risks and opportunities, with a view to improving our environmental performance. Elements under review include waste management and recycling programmes. We are also examining potential avenues to reduce our greenhouse gas emissions to net zero.

We recognise the significance of climate change for all businesses and we are aware of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In FY 2021, we will be giving careful consideration to how we can report against the TCFD framework appropriately, starting in the FY 2021 Annual Report, with oversight from the ESG Committee.

Financial Review

Elad Even-Chen
Chief Financial Officer

"Our excellent financial performance in 2020 was driven by the strength and differentiation of our technology platform, which demonstrated an unrivalled ability to respond rapidly to news and market events."

Revenue:

$872.5m

(FY 2019: $354.5m)

EBITDA:

$515.9m

(FY 2019: $192.3m)

Net profit:

$500.1m

(FY 2019: $151.7m)

Operating Cash Conversion:

106%

(FY 2019: 88%)

In the context of an unprecedented market environment, Plus500 delivered a record financial performance in FY 2020, with outperformance across all key metrics.

Revenue and EBITDA

The Group generated total revenue of $872.5m in FY 2020 (FY 2019: $354.5m). The underlying performance of the business remained robust, driven by the extremely high volume of customer trades throughout the year, with Customer Income increasing to $997.5m (FY 2019: $382.4m). This was offset by Customer Trading Performance[1] which was $(125.0m) in FY 2020 (FY 2019: $(27.9m)). Customer Trading Performance is expected to be broadly neutral over time, as evidenced by the Group's performance in recent years.

Driven by this growth in revenue, and supported by the Group's lean and flexible cost base, EBITDA for FY 2020 was $515.9m (FY 2019: $192.3m). This EBITDA performance was achieved despite the Group's heightened investment in its marketing technology during the year to on-board New Customers at an anticipated attractive return-on-investment. EBITDA margin in FY 2020 was 59% (FY 2019: 54%).

Our cost base

Costs remained well controlled during the year and 80% of the Group's costs were variable (FY 2019: 71%), with the Group maintaining a flexible cost base. The Group's variable costs remain positively correlated to enhanced performance and higher volumes, including marketing investment and payment processing expenses.

With the level of New Customers during FY 2020 increasing by 223% to a record level, marketing costs increased by 131% to $221.1m while AUAC was substantially lower at $750. We will continue to invest in our dynamic marketing technology to ensure that Plus500 is able to capture opportunities to drive future anticipated attractive return-on-investment. In addition, the Group continues to expect that AUAC will rise steadily over time as its customer profile continues to shift to higher value customers.

Total Selling, General and Administrative expenses increased by 118% to $358.9m during the year (FY 2019: $164.4m), driven mainly by marketing investment and processing expenses, to support an enhanced performance and higher platform usage during the year.

Net financial income

Net financial income amounted to $9.7m in FY 2020 (FY 2019: net financial expenses of $0.8m), predominantly due to foreign exchange and translation differences, in addition to interest received related to fixed deposits and tax rebates. A substantial proportion of the Group's cash is held in US dollars in order to provide a natural hedge, thereby reducing the impact of currency movements on financial expenses.

Group's Corporation Tax status

During the year, the Company became one of the first companies to receive approval from both the Israeli Tax Authority ("ITA") and the Israeli Innovation Authority ("IIA") under the new tax regime, recognising the Company as a "Preferred Technological Enterprise" ("PTE").

Consequently, the Plus500 Ltd. corporation tax rate for FY 2017, FY 2018, FY 2019 and FY 2020 was reduced from 24% in FY 2017 and from 23% in the following financial years to 12% in each of these years. Subject to the Company complying with statutory thresholds, the Company's Corporation Tax rate is expected to remain at 12% for FY 2021.

Over $150m of initial repayments and cash savings are expected to be delivered, the majority of which has already been received, either through cash savings in respect of FY 2020 or through tax rebates including a c.$47m rebate received from the ITA in H2 2020, an additional c.$30m already received in Q1 2021 and a further rebate, of c.$35m, expected to be received later in FY 2021.

In addition, the withholding tax rate applicable for dividends has been reduced from 25% to 20%. This has been applicable since the final dividend for FY 2019 and will continue to be applicable for future dividends, up to FY 2021.

Net profit and earnings per share

Net profit for the year was $500.1m (FY 2019: $151.7m). Due to the Company's recognition as a PTE, the net profit for FY 2020 was higher by $85.2m than the net profit would have been ($414.9m) had the Company not received this tax accreditation.

Earnings per share for the year increased by 249% to $4.71 (FY 2019: $1.35), driven by the Group's improved operational and financial performance and the reduction in tax rate.

1. Customer Trading Performance – gains/losses on customers' trading positions

Financial Review *continued*

Balance sheet and cash generation

As of 31 December 2020, total assets increased by 96% to $620.2m, compared to $316.9m as of 31 December 2019, with equity of $555.6m representing approximately 90% of the balance sheet (31 December 2019: $284.1m).

The Group remains highly cash generative, supported by the relatively low levels of capital expenditure as a result of its automation and technological capabilities, with 106% operating cash conversion achieved during FY 2020 (FY 2019: 88%). Cash generated from operations during the year was $546.6m (FY 2019: $170.1m).

During the year, the Group utilised $88.8m of cash in executing its existing share buyback programmes. In addition, $141.6m was paid in dividends to shareholders (FY 2019: share buyback programme totalled $47.2m and dividends paid to shareholders were $101.1m). The Group continued to be debt-free, as it has been since its inception in 2008, with cash balances and cash equivalents at the end of FY 2020 significantly increasing to $593.9m (FY 2019: $292.9m).

Presentation of currencies

The Consolidated Financial Statements are presented in US dollars, which is the Group's functional and presentation currency. Foreign currency transactions and balances in currencies different from the US dollar are translated into the US dollar using the exchange rates prevailing on the dates of the transactions or at the balance sheet date.

Shareholder returns

The Board has declared in respect of H2 2020 total shareholder returns of dividend and share buyback of $110.0m, in addition to the total shareholder returns for H1 2020 of $168.3m.

Shareholder returns include a final dividend for the year ended 31 December 2020 of $55.6m, representing $0.5422 per share (final dividend 2019: $0.3767 per share) and a special dividend for the year ended 31 December 2020 of $29.4m, representing $0.2870 per share. Both dividends had an ex-dividend date of 25 February 2021, with a record date of 26 February 2021, and a payment date of 12 July 2021. This makes a total dividend for the year of $186.0m, representing $1.7823 per share (total dividend for 2019: $0.6501 per share).

The special dividend is directly related to the benefits of the change in tax rate from the Israeli statutory rate of 23% to 12%, following the Company's successful accreditation as a PTE by the IIA and ITA, as outlined above.

In addition, the Board initiated a new share buyback programme in 2021 to acquire up to $25.0m of the Company's shares. Subject to the completion of this programme, the resulting total distribution to shareholders for FY 2020 amounts to $278.3m[1].

During FY 2020, the Company executed its existing share buyback programmes, with 5,584,528 Ordinary Shares purchased during the year, amounting to a total of $88.8m, at an average share price of £12.66.

The Company's previous shareholder return policy was to return at least 60% of net profits to shareholders as a normal return on a half yearly basis, with at least 50% of this distribution being made by way of dividends.

However, given the substantial and clear growth opportunities currently available to the Group, the Board concluded that the profile of its capital allocation policy should be more weighted towards investment in future growth and on driving business continuity, as the business looks to increase its scale to capture and optimise the available growth opportunities.

Consequently, the Board updated its shareholder returns policy in February 2020 to ensure greater flexibility for future investment. The Company will now be returning at least 50% of net profits to shareholders through dividends and share buybacks, with at least 50% by way of dividends. As with the previous policy, shareholder returns related to the new policy will continue to be based on a 23% corporate tax rate, for both future interim and final dividends. In addition, the Board will continue to consider paying special dividends at each year end.

Elad Even-Chen
Chief Financial Officer
24 March 2021

1. The actual dividend to be paid by the Company on the dividend payment date will be less than initially estimated since the Company repurchased additional Ordinary Shares between the date of dividend declaration and the record date of the dividend, which Ordinary Shares are held in treasury and not entitled to dividend payment.

"The Group has developed a comprehensive risk mitigation plan, to control exposures and provide robust solutions."

Assessing and managing our risks

The Group maintains a robust, customer-centric approach to the management and control of risks, which is fully embedded within the Group's technology and its day-to-day operating procedures.

Furthermore, the Group has developed a comprehensive risk mitigation plan, to control exposures and provide robust solutions. These procedures comprise of a range of measures including corporate policies, operating rules, systematic reporting, external audits, internal audits, self-assessment and continuous monitoring by the Regulatory & Risk Committee, the Board and executive management.

Risk governance framework

The financial, market and regulatory environments in which Plus500 operates inherently expose it to a number of strategic, financial and operational risks. The Group recognises the importance of understanding and managing these risks and has determined levels of risk that it believes are efficient. Policies and procedures have been developed within a robust risk management framework that attempts to minimise various risks, including market risk.

Plus500's target customer base is exclusively individual customers and the trading platform is not available to institutional or corporate traders. As a result, Plus500 has a low customer concentration and therefore does not rely on trading activity from a small number of very large customers – the largest customer in FY 2020 contributed less than 1% of total Group revenue.

Additionally, the Group's risk management framework ensures that risk exposures are strictly limited. The Group employs a combination of real-time monitoring technology and predefined limits to ensure risk is effectively managed. In addition, at the start of FY 2021, the Group initiated targeted hedging, on a limited basis, with a view to reducing market risk. This focused approach will continue to be deployed in certain circumstances going forward, as and when appropriate.

Plus500 monitors trading levels and exposure limits (for example by customer, instrument and asset class), and credit risk is limited by having all customers accounts pre-funded. The Group also offers negative balance protection and a margin close-out policy to all of its customers on a global basis.

Risk Management Framework *continued*

While the unprecedented market conditions experienced in FY 2020 and in FY 2021 to date are resulting in short term fluctuations in Customer Trading Performance, the Group continues to expect that contribution from this revenue component will be broadly neutral over time.

As per Plus500's business model, revenues are mainly driven by the volume of trades executed on its trading platform and the associated Customer Income. Since the Company's IPO in 2013, Customer Income has accounted for approximately 97% of Group revenues.

Governance

The role of the Board
The Board is ultimately responsible for the risk strategy, having developed a Risk Governance Framework, which is regularly reviewed and assessed by the Board, particularly with regards to current and emerging risks.

The Board believes the robust, technology-driven risk management systems of the Group are a key competitive strength and an important factor in its revenue generation. The implementation of the risk strategy is delegated to management under the more detailed supervision of the Regulatory & Risk Committee.

The role of the Regulatory & Risk Committee
The Regulatory & Risk Committee receives updates from management on risk, compliance and regulatory issues and reviews the related internal systems.

"The Group has developed proprietary risk management systems that incorporate various real-time financial risk limits."

The Regulatory & Risk Committee is responsible for reviewing relationships with the regulatory authorities and reviewing the adequacy and quality of the Group's systems and procedures for compliance with regulatory requirements where the Group is regulated and in other jurisdictions where the Group has a significant market presence. The Regulatory & Risk Committee also has responsibility for reviewing the Group's most significant risks to the achievement of strategic objectives and reviewing the Group's risk policy.

Lines of defence

Within the Risk Governance Framework, three lines of defence are created through:

- Front-line risk management processes
- Regulatory compliance
- Independent assurance provided by internal audit

First line of defence
The first line of defence consists of front-line risk management processes operated by management within the day-to-day trading activities of the Group's business.

There are three elements to the management of day-to-day trading risk:

a. *Financial Risk Limitation Policies*
The Group has developed proprietary risk management systems that incorporate various real-time financial risk limits.

b. *Trading Limits*
i. Customer limits

Monetary limits are placed on a customer's:

(a) Exposure to any single instrument;

(b) Aggregate open positions as a whole; and

(c) Aggregate deposit amounts.

Customer limits are determined with reference to, amongst other things, a customer's credit score, trading history, location and other due diligence results.

ii. Group limits

Monetary limits are also placed on the Group's exposure to individual instruments. These limits are set according to, amongst other things, the asset class, the size, the liquidity and the beta (volatility) of the underlying instrument. In each case, when these limits are reached the trading platform automatically ceases to accept trades from the relevant individual or on the underlying instrument until such time as exposure levels fall below the relevant threshold(s) or such threshold(s) are reviewed and amended.

c. Hedging

To further manage risk the Group has a hedging approach in place which would, in extremis, mitigate exposure of the Group as a whole beyond certain thresholds. In FY 2021, the Group implemented targeted hedging, executed so far on a limited basis, with a view to reducing market risk. This focused approach will continue to be deployed in certain circumstances going forward, as and when appropriate.

Second line of defence

A strong compliance function is in place in all of the Group's regulated subsidiaries. The Board continues to develop the Group's compliance policies in line with each of the regulatory environments in which the Group's offering is available.

Third line of defence

The third line of defence, independent assurance, is provided by internal audit.

The role of the internal auditor is to examine, among other things, the Company's compliance with applicable law and orderly business procedures. In accordance with the Israeli Companies Law 5759-1999 (the "Companies Law") the internal auditor is appointed by the Board on the recommendation of the Audit Committee, which also oversees the internal auditor's work plan, monitors its activities and assesses its performance. Pursuant to the Companies Law, the internal auditor may be an employee of the Company but may not be an interested party or office holder, or a relative of any interested party or office holder and may not be a member of the Company's external auditor or its representative.

The Company's internal auditor is Brightman Almagor Zohar & Co. (Deloitte Israel) a member firm of Deloitte Touche Tohmatsu Limited.

Compliance with applicable regulations is also provided by local advisors in the main territories that the Group operates in, and advice on the regulatory regime is considered when planning new licence applications.

Internal controls

The Board has overall responsibility for the Group's systems of internal control and for monitoring their effectiveness. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Board with reasonable assurance that issues are identified on a timely basis and dealt with appropriately.

The Group's key internal financial control procedures include:

- A review by the Board of actual results compared with budget and forecasts;
- Reviews by the Board of year-end forecasts;
- The establishment of procedures for acquisitions, capital expenditure and expenditure incurred in the ordinary course of business;
- The appraisal and approval of proposed acquisitions outside of the ordinary course of business by the Board;
- The detailed budgeting and monitoring of costs incurred in the development of new products;
- A review of day-to-day management controls and test of operating effectiveness of key controls;
- An annual review of the internal controls system;
- A regular review of risk limits, with a view to conducting targeted hedging to reduce market risk, as and when appropriate;
- The reporting to, and review by, the Board on changes in legislation, regulatory requirements and practices within the sector, accounting and regulatory and legal developments pertinent to the Group; and
- The appointment of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

Risk assessment and review

During FY 2019, the Board carried out a robust assessment of principal and emerging risks facing the Group and how these risks are managed or mitigated in accordance with Provision 28 of the Code. Principal risks are considered those that would threaten its business model, future performance, solvency or liquidity. These are outlined below and details of financial risks and their management are set out in note 24 to the Consolidated Financial Statements. During FY 2020, the Board assessed, and continues to assess, emerging risks but has not identified any emerging risks that have not already been captured as principal risks through the Group's risk assessment process.

The annual and ongoing elements of the Group's risk management processes are controlled by an established risk identification, assessment and monitoring process.

The risk assessment process identified certain risks which were narrowed down into major risks monitored by the executive management and the Regulatory & Risk Committee, then further consolidated into nine principal risks closely monitored by the Board.

Throughout 2020 and up to the date of this report, the Board has reviewed the effectiveness of the Group's internal controls system. As a result of this review, the Board considers that the measures that have been or are planned to be implemented, complement the Group's risk management framework and are appropriate to the Group's circumstances, covering all controls, including financial and operational controls and compliance with applicable laws and regulations.

Risk Management Framework
continued

RISK	DESCRIPTION	MANAGEMENT AND MITIGATION
Business and strategic risks		
Legal and jurisdictional risk	The risk that changes in the legal and regulatory frameworks in which the Group currently operates could adversely affect its performance	• Diversification of jurisdictions in which the Group offers its services • Monitoring legal and regulatory developments and taking actions to remain in compliance
Regulatory risk	Regulatory changes could result in the product offering becoming less profitable, restrictions on the product marketing, or a ban on the product offering in one or more of the countries in which the Group operates	• Monitoring market and regulatory sentiment, developments and advice from compliance functions on actual and possible changes and taking remedial action • Maintaining an open and robust dialogue with regulators
Customer care and protection risk	The risk that a lack of customer care and protection by the Company could negatively impact customer welfare, particularly in relation to compliance with regulations on this issue	• Continued efforts to educate and inform customers of the risks involved in CFD trading, through required risk disclosures, educational features and by offering an unlimited and free demo account • Negative balance protection has an on-going feature of the Plus500 platform since inception. This guarantees that maximum losses of all customers are limited to the amount of their deposits. • Other risk management features, including margin close-out policy, are also embedded with Plus500's technology • Assessment of potential customers prior to and during the completion of the on-boarding process
Financial risks		
Business risk	The risk of a commercially adverse impact on the business resulting from: • The Group's strategic decision making failing to seize business opportunities or react to changes in the market. This risk may result in damage or loss, financial or otherwise, to the Group as a whole • The risk that a third-party organisation on which the Group relies significantly will inadequately provide or fail to deliver its outsourced activities or contractual obligations to the standard required	• Robust governance, challenge and oversight • Managing the Group in line with the agreed strategy, policies and risk appetite and periodic reviews of such assumptions compared to developments in the markets, business and regulation • Developing redundancies for material services provided by third parties by having secondary providers and alert systems, as well as automated processes to operate redundancies • Due diligence performed on service providers • Service level agreements in place and regular monitoring of performance • Input from best-in-class advisors involved in decision-making process of strategic developments and initiatives
Market risk	The risk of exposure to the market. The market risk is mainly comprised of the following main factors: • Price movements • Foreign currency exposures	The Group manages market risks by steering/balancing natural hedge and the Group risk tolerance. Market risk is mitigated by: • The Group's proprietary technology platform which enables real time position monitoring and alerts to help the Group to constantly manage market exposure and adjust its controls • Defining daily/weekly/monthly Group market risk limits for each financial market or instrument • If predetermined limits are exceeded, the Group takes appropriate actions to reduce exposure • Targeted hedging is conducted on a limited basis, as appropriate

RISK	DESCRIPTION	MANAGEMENT AND MITIGATION
Financial risks *continued*		
Credit risk	The risk of clients or counterparties failing to fulfil contractual obligations and/or settlements resulting in financial loss, specifically: • *Client credit risk:* Leveraged trading can result in client trading losses exceeding available funds in their account (mainly due to sharp market movements); such losses are absorbed by the Group (negative balance protection has always been offered to all the Group's customers, in all markets and across all underlying assets) • *Institutional credit risk:* The risk that financial counterparties will not meet their obligations, risking both client and Group assets	• *Client Credit Risk:* The Group has a "no-credit" policy in which customers can only fund their accounts from their own resources, with all accounts being pre-funded. Customers can set a wide range of loss risk mitigation tools such as alerts and stops features • *Institutional Credit Risk:* The Group engages only with prominent, high ranked and well-established financial institutions for the holding of its own assets and in order to meet its regulatory obligations to safeguard client money in segregated accounts. The Group periodically reviews its engagements with such financial institutions to make sure they continue to operate within the applicable standards and also diversify the Group's assets across those financial institutions to reduce risk
Liquidity risk	The risk that there is insufficient available liquidity to meet the financial liabilities of the Group	The Group utilises liquidity forecasts to identify potential risks. These forecasts incorporate the impact of all liquidity regulations in force in each jurisdiction and other hindrances to the free movement of liquidity around the Group. Key issues affecting the Group's liquidity are discussed with the Board
Operational risks		
Operational risk	The risk of enduring losses resulting from inadequate or failed internal processes due to people, failed technology deployment, adoption and innovation, external events (such as natural disasters, major utilities or infrastructure failure etc.) or the inability to attract and maintain competent staff which the Group requires for operational purposes	• Business and regulatory sign-off of processes and procedures to ensure business efficiency and regulatory compliance • Invest in system development to improve process automation • Monitoring, quality checks and robust analysis of performance to identify errors, inefficiencies, underlying causes and mitigation plans • Centralised operations – to enable rapid implementation of business innovation, adjustments to business and regulatory changes, monitoring and maintaining high standards and cost-efficient structure • Centralised technical operations, to ensure Group-wide monitoring, issue handling and analysis • Unified IT strategy focused on performance and growth • Continuous development efforts towards operational risk framework to ensure risk recognition and timely control • Recruitment of highly competent employees and developed employee retention programmes, with enhanced staff training and oversight • Additional support through Google Cloud services, providing further flexibility, security and scale to our platform • The Group has a clear business continuity plan, ensuring quick recovery and cover for both IT and operational aspects (connectivity, Distributed DoS Attacks, unresponsiveness of server etc., as well as external events have an emergency plan and contacts in place)
Information and data security risk	• The risk of loss of technology services caused by network disruption and loss of systems, data, and failure to restore services of a third party in a timely manner resulting in the Group's inability to offer its services • The risk of loss or misuse of individuals' personal information provided to the Group	• Operate multi-layered delivery, security and mitigation solution • Continuous investment in increased functionality, scalability, capacity and responsiveness of systems to monitor, react and prevent cyber attacks • Continuous real-time monitoring of incoming and outgoing network activity • Constant monitoring of systems performance and controls • Selective software design methodologies and testing regimes • A robust Group IT policy sets out strategic, stability, security and performance standards as well as backup processes to enable service availability in the event of failures • Privacy as culture – creating awareness among employees of privacy-related matters including proper use of personal information, protection of such information and loss prevention • Robust privacy oriented compliance program to ensure compliance with applicable data privacy regulations

Going Concern and Viability Statement

Going Concern

Having given due consideration to the nature of the Group's business, the Group's budget, liquidity resources and cash flow forecasts for the period of three years ending 31 December 2023, taking into account the Group's anticipated investment commitments and working capital requirements, the Board considers that the Company and the Group as a whole are going concerns and the consolidated financial statements are prepared on that basis.

This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for over a period of at least twelve months from the date of approval of the Consolidated Financial Statements and the consideration of the various risks set out on pages 35 to 39 and the financial risks described in note 24 to the Consolidated Financial Statements.

Viability Statement

In accordance with Provision 31 of the Code, the Board has considered the Group's current financial position and future prospects, its strategy, risk appetite and the potential impact of the principal risks and how these are managed and has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year assessment ending 31 December 2023.

The Directors confirm that they have performed a robust assessment of the principal risks facing the Group as detailed on pages 35 to 39 including those that will threaten its business model, future performance and liquidity.

In reaching this conclusion, both the prospects and viability considerations have been assessed:

Prospects

- The Group's current financial position is outlined in the Strategic Report.
- The Group's business model: despite regulatory changes in a number of jurisdictions, the core of the current strategy remains in place and continues to demonstrate sufficient cash generation to support operations. In addition, we believe the Group will continue to be viable beyond the three years as mentioned above, in accordance with our business model.
- Assessment of prospects and assumptions: conservative expectations of future business prospects through delivery of the Group strategy as presented to the Board through the budget approval process. The annual budget approval process consists of a detailed bottom-up process with a 12-month outlook which involves input from all relevant functional and regional heads. The process includes a collection of resource assumptions required to deliver the Group strategy and associated revenue impacts with consideration of key risks. This is used in conjunction with external assumptions such as a region-by-region review of the regulatory environment and incorporation of any anticipated regulatory changes as outlined in the Strategic Report, to revenue modelling, market volatility, interest rates and industry growth which materially impact the business. The budget is used to set targets across the Group. The budgeting process also covers liquidity and capital planning and, in addition to the granular budget, a three-year outlook is prepared using assumptions on industry growth, the effects of regulatory changes, revenue growth from strategic initiatives and cost growth required to support initiatives. The budget was reviewed by the Board in December 2020 and in February 2021 and received final approval in February 2021.
- Ongoing review and monitoring of risks: these have been identified in the Group's Risk Appetite Statement, outlined in the Group's principal risks and uncertainties and are monitored monthly by management, with review and challenge from the Regulatory & Risk Committee. Based on the various scenario's tested, the Company has sufficient liquidity and headroom to operate its business.

Viability

Scenario stress testing of available liquidity and capital adequacy are central to understanding the Group's viability. This testing replicates adverse market conditions and regulatory change, and is therefore considered in the Group's Individual Capital Adequacy Assessment Process and Individual Liquidity Adequacy Assessment documents, which are shared with our regulators on request. The results of the scenario stress testing showed that, due to the robust nature of the business, the Group would be able to withstand these scenarios, both in isolation and combined scenarios, over the financial planning period by taking management actions that have been identified.

The Board has considered that three years is an appropriate period over which to provide a viability statement as this is the longest period over which the Board reviews the success of strategic opportunities. This timeline is also aligned with the period over which internal stress testing occurs. The Board has no reason to believe that the Group will not be viable over a longer period, but given the uncertainty involved, in particular of regulatory changes, the Board believes this period presents the readers of the Annual Report with a reasonable degree of confidence.

The Group also monitors performance against pre- defined budget expectations and risk indicators, along with strategic progress updates, allowing management action to be taken where required, including the assessment of new opportunities.

Governance

Contents

Chairman’s Introduction to Governance

Penny Judd
Chairman

“Corporate Governance has remained a key theme for the Board and this year we have managed to diversify the composition of the Board significantly.”

Dear shareholder

I would like to take this opportunity to give you an overview of the work of the Board during 2020. Corporate governance has remained a key theme for the Board during the year, and this year we have managed to diversify the composition of the Board significantly, in line with the Code and the recommendations of the Hampton-Alexander Review on gender equality in leadership positions.

In 2020, we have continued our efforts to dedicate considerable time evaluating the work of the Board and its committees. As noted in last year’s Annual Report, during 2019 we undertook an independent third party review by Genius Boards Limited (“Genius Boards”). This was a valuable exercise which resulted in a number of important recommendations which were implemented during the course of 2020, together with having an additional internal review in 2020.

As also noted, we were seeking to appoint an additional Non-Executive Director to complement the Board’s existing skill set and to further diversify its composition. I am delighted that at our 2020 AGM, Ms. Anne Grim was appointed as a Non-Executive Director and External Director, and as announced on 4 February 2021, Ms. Sigalia Heifetz was also appointed as a Non-Executive Director. Furthermore, as recently approved at our 2021 Extraordinary General Meeting (“EGM”) held on 16 March, Ms. Tami Gottlieb was appointed as a Non-Executive Director and External Director.

Anne is an excellent addition to the Board, given her expertise in customer experience, strategic planning and execution, technology innovation and business transformation. Both Tami and Sigalia have a deep knowledge of the corporate landscape in Israel and have also worked with a number of international high growth businesses. Sigalia has advised many Israel-based companies on their international growth ambitions, while Tami has an extensive background in the financial services sector, across a range of specialisms. Anne’s, Tami’s and Sigalia’s combined experience and expertise will be invaluable for Plus500 as we look to continue to grow our business. These appointments further diversify the composition of the Board and have broadened the Board’s breadth of experience and knowledge.

As announced on 5 January 2021, Gal Haber, one of Plus500’s co-founders and its former CEO, stepped down from his executive position as a Managing Director and as a member of the Board. The Board is extremely grateful to Gal for his significant contribution to the development of Plus500 over the years, and we wish him the very best for the future.

As announced on 4 February 2021, our long serving Senior Independent Non-Executive Director (“SID”) and External Director, Charles Fairbairn, has informed the Board of his decision to step down from the Board on the earlier of our forthcoming 2021

AGM or 30 June 2021. I would like to take the opportunity, both personally and on behalf of the Board, to thank Charles for his substantial contribution to the development of Plus500 since its IPO in 2013. His wise counsel and sage advice have been very much appreciated and we wish him all the best for the future. Upon Charles' stepping down from the Board, Anne Grim will serve as the Senior Non-Executive Director.

Executive remuneration remains a significant area of observation for UK listed companies. We consulted with external consultants in previous years in order to align remuneration with shareholders' expectations and we took seriously the votes against the Executive Directors' remuneration at the 2020 AGM. The Remuneration Committee subsequently engaged extensively with shareholder bodies and key shareholders with respect to the feedback that was provided, and the Company took the assistance of an external advisor in order to restructure its Remuneration Policy, as further detailed in the Remuneration Committee Report.

Shareholder engagement is extremely important and I will continue to meet regularly with key shareholders, as will the rest of the Board, to ensure we represent their interests.

The Nomination Committee continues to review the skills that we need while always considering diversity and the need for independent thinking and challenge. The Committee will also continue to review the size of the Board to confirm that it is appropriate with a good mix of skills, experience and knowledge and the ability to maintain appropriate oversight of the executive team and provide constructive challenge and support.

Our oversight of the significant risks including regulatory, financial and technology challenges facing the Group continues. The Regulatory & Risk Committee reviews these risks and receives assurance from management and the Group's advisors as to how they are understood and mitigated to the level of risk acceptable to the Board.

The Audit Committee continues its work overseeing the internal controls of the business and is assisted in this by our internal auditors. It also works closely with our external auditors and oversees the production of the Consolidated Financial Statements.

Also, in 2020 we have established the Environmental, Social & Governance ("ESG") Committee to assess the Group's impacts and interactions with ESG aspects. We have been supported by an external advisor and conducted an ESG materiality assessment, according to which the Group shall draw its ESG roadmap for the coming years.

The following report describes the activities of the Board and its committees during 2020 in more detail.

Penny Judd
Chairman

UK Corporate Governance Code Compliance Statement

As a Main Market listed company, following its admission to the Main Market of the London Stock Exchange, and with respect to 2020, Plus500 is required to comply with corporate governance policies and practices consistent with the UK Corporate Governance Code 2018 (the "Code") (a copy of which can be found on the website of the Financial Reporting Council: www.frc.org.uk), or otherwise explain its reasons for non-compliance.

The following statement is therefore made in respect of the year ended 31 December 2020 in compliance with this requirement. The following sections of this report explain how the principles of the Code were applied and provide cross-references to other sections of the report and/or the Company's website (www.plus500.com) where more detailed descriptions are available.

For the financial year ended 31 December 2020, the Company has complied with the provisions of the Code, other than in respect of the directors' re-election mechanism and in relation to pay ratios and pay gaps. While the Code recommends the submission of all directors for re-election annually, as a company registered in Israel, it is subject to mandatory corporate governance requirements under the Companies Law, which require that the Company must always have at least two External Directors who meet certain statutory requirements of independence. The Company's External Directors are Charles Fairbairn (until stepping down), Daniel King, Anne Grim and Tami Gottlieb. The External Directors must meet certain statutory requirements of independence and, as prescribed by the mandatory requirements of the Companies Law, must be elected for three-year terms and not annually as the Code recommends.

Plus500 is not required to compile gender pay gaps and pay ratios under the Companies Law whereas companies incorporated in the United Kingdom are required to do so under UK legislation.

Board of Directors

The role of the Board

The Board is responsible to shareholders for effective direction and control of the Company which is aimed at providing long-term success for the Company. In order to lead the development of the strategy of the Company and the progress of financial performance, the Board is provided with timely and comprehensive information that enables it to review and monitor the performance of the Company and to ensure it is in line with its objectives for achieving its strategic goals.

Committee membership Key:

- N Nomination
- A Audit
- RR Regulatory & Risk
- R Remuneration
- E ESG
- D Disclosure
- Chairman

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1. PENNY JUDD RR

Chairman

Date of appointment: June 2016

Penny Judd is a Non-Executive Director, Chair of the Board and Chair of the Regulatory & Risk Committee.

Penny sits on the Boards of AIM listed Trufin Plc and Alpha Financial Management Consulting Plc as a Non-Executive Director, Senior Independent Director and Chair of the Audit Committee. She also sits on the Board of AIM listed Team17 Plc as a Non-Executive Director and Chair of the Audit Committee.

Penny started her career at KPMG qualifying as a chartered accountant and specialising in Audit and Corporate Finance before joining the London Stock Exchange where she was Head of Equity Markets at the UKLA. She then moved to Cazenove & Co as a corporate financier and was a consultant at the London Investment Banking Association before moving into a career in Compliance. Penny was a Managing Director and EMEA Head of Compliance firstly for UBS Limited and then Nomura International Plc before moving into her current portfolio career.

2. DAVID ZRUIA

Chief Executive Officer and Director

Date of appointment: April 2020

David Zruia is the Chief Executive Officer.

David joined the Group in 2010 as a senior manager in the marketing department. In that role, David was instrumental in establishing the Group's marketing capabilities and in building awareness of, and recognition for, the Plus500 brand in key markets around the world. He was appointed as the Group COO in 2013 and led the establishment and management of the operational division of the Group, including KYC processes, payment processing, back office, customer service and risk management.

David holds a B.Sc. in Industrial Engineering and Management from the Technion - Israel Institute of Technology.

3. ELAD EVEN-CHEN RR D

Group Chief Financial Officer and Director

Date of appointment: July 2016

Elad Even-Chen is the Chief Financial Officer of the Group and Vice President of Business Development.

Elad joined the Group in 2011.

Elad's responsibilities cover a broad range of finance, business, corporate and strategic functions.

Elad is responsible for Plus500's strategic business development projects which enable the Group's business and financial expansion.

Elad has an extensive corporate finance, legal and regulatory background. Over the last 10 years he has held a number of positions within the Group also acting as the Company Secretary, risk manager and Head of IR.

Elad is a certified accountant in Israel and, prior to joining the Group, he was a senior associate at KPMG.

Elad holds a B.A. in Accounting and Economics from Tel-Aviv University, an LL. B Degree from the College of Management and an MBA (specialising in Financial Management) from Tel-Aviv University.

4. STEVE BALDWIN N A R E

Independent Non-Executive Director

Date of appointment: June 2017

Steve Baldwin is a Non-Executive Director and Chairman of the Nomination Committee.

Steve is currently the Chairman of TruFin Plc and is also a Non-Executive Director of The Edinburgh Investment Trust Plc. Prior to joining Macquarie Capital, Steve was a Corporate Finance Director at JP Morgan Cazenove for ten years and previously a Vice President of Corporate Finance at UBS. He qualified as a Chartered Accountant at Coopers & Lybrand.

Steve has an extensive corporate finance background and held the position of Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until 2015 when he decided to pursue a non-executive career.

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5. CHARLES FAIRBAIRN N A RR R D*

Senior Independent Non-Executive Director and External Director

Date of appointment: July 2013

Charles Fairbairn is a Non-Executive Director, the Senior Independent Director and Chairman of the Audit Committee.

Charles has held similar positions for a number of publicly traded companies over the past 20 years including Research Now Ltd., the online research company of which he was a founder investor, Statpro Group Plc, providing analytics for asset managers, and Brightview Plc, an internet service provider. Charles Fairbairn graduated from Durham University with a BA (Hons) in Economics and then qualified as a Chartered Accountant with Deloitte Haskins & Sells in London. Having spent seven years at Deloitte Haskins & Sells, he joined Pearson Plc as Group Accountant, Group Chief Accountant and latterly Finance Director of Pearson New Entertainment, a start- up division.

Over the following 22 years, he has held a number of positions as finance director, executive and non-executive director of a portfolio of companies, helping to develop and scale growth companies from start-ups into global companies. Charles Fairbairn is an active investor in growth companies and reviews new business and turnaround opportunities, exposing him to a multitude of sectors and business models. He also holds an Investment Management Certificate.

As announced on 4 February 2021, Mr. Fairbairn has informed the Board of his decision to step down from the Board on the earlier of our forthcoming 2021 AGM on 30 June 2021.

* The Committee membership reflects his memberships in FY 2020 and until 3 February 2021. As announced, as of 4 February 2021, Charles no longer sits on any of the Board Committees other than the Audit Committee which he chairs.

6. ANNE GRIM A R E D

Independent Non-Executive Director and External Director

Date of appointment: September 2020

Anne Grim is a Non-Executive Director.

Anne is an experienced executive turned advisor, consultant and Board Director with more than 30 years in senior financial services leadership roles at Barclays, Wells Fargo, American Express, Mastercard and most recently (and formerly) as Chief Customer Officer at Fidelity International. Her expertise is in customer experience, strategic planning and execution, technology innovation and business transformation.

Anne is currently an independent non-executive Board member for Insight Investment, Metro Bank PLC, RateSetter and Openwork Holdings Ltd.

Anne is also an Advisor to the Investment Association's FinTech Engine and a Trustee on the UK board of Opportunity International.

7. DANIEL KING N A R E

Independent Non-Executive Director and External Director

Date of appointment: June 2013

Daniel King is a Non-Executive Director and Chairman of the Remuneration and ESG Committees.

Daniel has spent the last two decades in executive and senior management roles within technology corporates as well as start-ups as an operator, advisor and investor with a focus on Fintech, eCommerce technology, Big Data, BI, Analytics, SaaS platforms, and Marketplaces for both B2B and B2C. He has extensive knowledge in investing, fundraising, and scaling high-growth companies including international expansion.

Daniel is currently a Venture Partner with Seedcamp, one of Europe's largest Venture Capital firms for early stage funding. He is also Chairman of StitcherAds a platform for social commerce. Previously he was President & COO for Profitero, a SaaS provider of online insights and e-commerce intelligence for retailers and brands and prior to that was a specialist consultant to the UK Government working for the Department of Investment and Trade (DIT) as Head of High Growth & Emerging Markets.

Daniel was previously Managing Partner of Blue Leaf Capital, a private boutique venture capital and advisory services company based in London and has held managing director roles with Compete Inc; MySupermarket.co.uk; and Experian Hitwise, overseeing the company's EMEA operations and was a key member of staff that led to the eventual acquisition of Hitwise by Experian in June 2007.

8. TAMI GOTTLIEB A RR R

Independent Non-Executive Director and External Director

Date of appointment: March 2021

Tami Gottlieb is a Non-Executive Director.

Upon Charles Fairbairn's stepping down from the Board, Tami will chair the Audit Committee.

Tami has a long track record in the financial services industry in Israel and is currently an External Director at Bank Leumi Le'Israel Ltd. – one of Israel's two largest commercial banks, where she is Chairperson of the Audit and Financial Reports Committees and a member of the Remuneration and Business & Credit & Strategy Committees, having previously been on the Technology Committee and on the Risk Management Committee. Tami Gottlieb is also Chairperson at Shefayim Holdings Corporation, an External Director at Extell Limited, an Independent Director at Arad Investments and Development Ltd and a Director at Emilia Development. She is also a founder and Managing Director of Harvest Capital Markets Ltd, a wealth management and corporate finance boutique.

Tami holds a Bachelor's Degree in International Relations from the Hebrew University of Jerusalem and a Master's Degree in Economics from Indiana University.

9. SIGALIA HEIFETZ RR R D

Independent Non-Executive Director

Date of appointment: February 2021

Sigalia Heifetz is a Non-Executive Director.

Sigalia holds non-executive directorships at a number of leading Israel-based corporations across a range of sectors and industries, including Nesher Israel Cement Enterprises Ltd, Clal Biotechnology Industries Ltd, Golf & Co Ltd, Maman Cargo Terminals and Handling Ltd, Tamar Petroleum Ltd, Mashav Initiating & Development Ltd and Vesta Investment & Management. She also previously held Non-Executive positions at Bet Shemesh Engines Ltd and Hadera Paper, prior to which she was an audit partner at accountancy firm BDO.

Sigalia holds a Bachelor's Degree in Accounting and Economics from Tel Aviv University and an EMBA from INSEAD and Tsinghua University.

Governance Report

The Board

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. The Company's organisational structure has clearly defined lines of authority, responsibility and accountability, which are reviewed regularly. The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Company and the online financial trading industry as a whole, along with associated financial and regulatory risks.

Board activities during the year

The Board agrees an annual calendar and forward meeting agenda during the previous year and additionally meets at such other times as required. The matters accepted by the Board for consideration at Board meetings are business strategy, operational highlights and current trading, quarterly forecasts, budget and financial performance, governance, organisational culture and risk & regulation.

Board Activity in 2020

Strategy	A comprehensive strategy discussion was held in December 2020, with the presence of a well-known external strategic advisory firm, at which the Board discussed actions to deliver on the strategy for the coming years, as set out on pages 18 to 19.
Business, operational highlights and current trading	The Board received monthly updates including CEO reviews, financial performance updates, business development updates and risk and regulatory compliance reports
Quarterly forecasts and budget	Updates were provided and discussed on a monthly basis. Discussions on the 2021 budget were held in December 2020 and in February 2021 and it received final approval in February 2021
Financial performance	The Board reviewed and approved the ongoing trading updates and results announcements. The Board considered and approved dividend distributions and share buybacks, the Consolidated Financial Statements and the Annual Report
Governance, risk and regulation	The Board received updates and conducted discussions about regulatory developments and emerging risks. It also received training and briefings on regulatory changes and updates, in addition to ongoing updates on compliance matters. In 2020 the Board composition has been significantly diversified. Also, an ESG Committee was established
Whistleblowing	The Board reviewed and approved the Group's Whistleblowing Policy, as it does on an annual basis
Culture and values	The Board continued to monitor and review the Group's culture, values and performance primarily through regular discussions with the Executive Directors and their teams, and also through Steve Baldwin, in his role as the workforce engagement representative on the Board who held a round table session with employees from various departments of the Company
Other	An internal effectiveness evaluation of the Board and its committees has been conducted

Board committees

The Board has appointed six principal committees to which certain aspects of the Board's work are delegated:

Nomination Committee
The Nomination Committee has been delegated responsibility for the oversight of appointments to the Board and the senior management team. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 51 to 53.

Audit Committee
The Audit Committee has been delegated responsibility for ensuring the financial performance of the Group is properly reported on and reviewed and the monitoring of the external auditor, the internal auditor and oversight of internal controls. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 54 to 57.

Regulatory & Risk Committee
The Regulatory & Risk Committee has been delegated responsibility for the monitoring and oversight of risk management and mitigation and the approval of risk appetite. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on page 58.

Remuneration Committee
The Remuneration Committee has been delegated responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chief Executive Officer and Chief Financial Officer, the Chairman and the other Non-Executive Directors, the Company Secretary and other senior executives and the Company's remuneration policy. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 60 to 66.

Disclosure Committee
The Disclosure Committee assists the Board in fulfilling its obligation to make timely and accurate disclosure of all information that is required to be disclosed to meet legal and regulatory requirements and obligations under the Market Abuse Regulations and the Disclosure Guidance and Transparency Rules of the FCA and the requirement for the Company to establish and maintain adequate procedures, systems and controls to enable it to comply with these obligations. Whenever necessary, the Committee meets to discuss the content of announcements proposed to be released to the Stock Exchange and approve their content where relevant.

Environmental, Social and Governance ("ESG") Committee
The ESG Committee has been delegated responsibility for considering the adequacy of the Group's ESG policies and processes. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on page 59.

Operation of the Board

The Board is responsible for the effective direction and control of the Group. The Board is also responsible for the overall strategy and financial performance of the Group and has a formal schedule of matters reserved for its approval. The schedule of matters covers key strategic, financial and operational matters including:

- Approval of the Group's strategic aims and objectives;
- Approval of the annual operating and capital expenditure budgets of the Group, and any material changes to them;
- Changes to the Group's capital structure, management and control structure;
- Contracts which are material strategically or by reason of size, entered into by the Company or any subsidiary in the ordinary course of business; and
- Recommending appointments to the Board.

The Company Secretary, Hila Barak, is responsible for ensuring that the Company complies with the statutory and regulatory requirements and maintains high standards of corporate governance. She supports and works closely with the Chairman of the Board, the Chief Executive Officer and the Board committee chairs in setting agendas for meetings of the Board and its committees and supports the transfer of timely and accurate information flow from and to the Board and the management of the Company. Hila Barak is a certified lawyer in Israel since 2012 and holds an Executive MBA from the University of Haifa. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

Board effectiveness

The Board holds its meetings in accordance with its scheduled calendar. Each Board meeting is preceded by a clear agenda and any relevant information is provided to the directors in advance of the meeting. The Board met on 12 occasions in 2020 to review, formulate and approve the Group's strategy, budgets and corporate actions and to oversee the Group's progress towards its goals. The Board also holds regular conference calls to update the members on operational and other business matters. A summary of the key activities of the Board in 2020 is set out on page 46.

Where directors have concerns which cannot be resolved about the running of the Company or a proposed action, they may request that their concerns are recorded in the Board minutes. An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice.

Newly appointed directors are made aware of their responsibilities through the Company Secretary.
The Company has accordingly implemented an internal induction plan for newly appointed directors in which it provides the directors with training sessions via internal meetings, presentations and conversations which are conducted by Company advisors, management and other relevant persons in order to enable greater awareness and understanding of the Company's business and the environment in which it operates.

The Chairman is responsible for leading the Board and ensuring its effectiveness by setting the relevant agenda and providing sufficient time for constructive discussions in which the Board has the ability to challenge the discussed items. The Chairman is responsible for creating the open and engaging atmosphere that enables the healthy and constructive discussions of the Board. The Chairman is also responsible for ensuring effective communication between Executives, Non-Executive Directors, shareholders and between other major stakeholders and the Board, in line with the Company's Written Statements of Responsibilities. The Chief Executive Officer acts as the main point of communication between the Board and management and is responsible for the day-to-day running of the business and implementation of strategy.

Collectively, the Non-Executive Directors bring a valuable range of expertise in assisting the Company to achieve its strategic aims. The effectiveness of the Board benefits from the following skills and experience offered by current members of the Board: financial services, finance and accounting, governance and regulatory, research and development, technology, CFD trading and other financial instrument expertise.

Governance Report *continued*

Board composition

As of the date of the 2020 Annual Report, the Board is comprised of two Executive Directors: David Zruia and Elad Even-Chen, and seven Non-Executive Directors: Penny Judd (Chairman of the Board), Charles Fairbairn (Senior Non-Executive Director), Daniel King, Steve Baldwin, Anne Grim, Sigalia Heifetz and Tami Gottlieb. Penny Judd was independent on appointment, in accordance with the requirements of the Code. As Senior Independent Director, Charles Fairbairn is available to meet with shareholders if they have concerns which are not being addressed through the usual channels of the Chief Executive Officer, the Chief Financial Officer or the Chairman. Upon Charles Fairbairn's stepping down from the Board, Anne Grim shall serve as the Senior Non-Executive Director.

In accordance with the Companies Law, the Board must always have at least two external directors who meet certain statutory requirements of independence (the "External Directors"). The Company's External Directors are Charles Fairbairn (until stepping down), Daniel King, Anne Grim and Tami Gottlieb. Under the Companies Law the term of office of an External Director is three years, which can be extended for two additional three-year terms. Also, External Directors are elected by shareholders subject to a special majority and may be removed from office only in limited cases. In addition to the above, any committee of the Board must include at least one External Director and the Audit Committee and Remuneration Committee must each include all of the External Directors (including one External Director serving as the chair of the Audit Committee and Remuneration Committee), and a majority of the members of each of the Audit and Remuneration Committees must comply with the director independence requirements.

Election of Directors

Following recommendations from the Nomination Committee and review by the Chairman, the Board considers that all directors continue to be effective, remain committed to their roles and have sufficient time available to perform their duties. Information with respect to directors' re-election will be set out in the 2021 Notice of AGM.

Board composition and attendance in FY 2020

	SCHEDULED MEETINGS ELIGIBLE TO ATTEND	SCHEDULED MEETINGS ATTENDED
Chairman		
Penny Judd	12	12
Executive Directors		
David Zruia (appointed as of 20 April 2020)	8	8
Elad Even-Chen	12	12
Gal Haber[1]	12	12
Asaf Elimelech (until 20 April 2020)	4	4
Senior Independent Non-Executive, External Director		
Charles Fairbairn[2]	12	12
Independent Non-Executive, External Director		
Daniel King	12	12
Anne Grim (appointed as of 16 September 2020)	4	4
Tami Gottlieb (appointed as of 16 March 2021)	0	0
Independent Non-Executive Director		
Steve Baldwin	12	12
Sigalia Heifetz (appointed as of 4 February 2021)	0	0

1. As announced on 5 January 2021, Gal Haber has stepped down from his office as a director, as of that date.
2. As announced on 4 February 2021, Charles Fairbairn will step down from the Board on the earlier of our forthcoming 2021 AGM or 30 June 2021.

Independence of Non-Executive Directors and time commitment

Each of the Non-Executive Directors is considered to be independent of management and is considered by the Board to be free from any business or other relationships that could compromise their independence. Their role is to effectively advise and challenge management, and to monitor management's success in delivering the strategy agreed by the Board. Non-Executive Directors held discussions and met during the year, without the Executive Directors present, in order to review and monitor management performance.

Each director is aware of the need to allocate sufficient time to the Company in order to fulfil their responsibilities and is notified of all scheduled Board and Board Committee meetings. None of the Non-Executive Directors hold any directorships in any FTSE 100 companies.

Conflicts of interest

The Company has procedures for the disclosure and review of any conflicts of interest, or potential conflicts, which the directors may have. The Board members are asked to disclose any conflicts of interest at each scheduled Board meeting. Each director is aware of their responsibility to avoid conflicts of interest and to disclose any conflict or potential conflict of interest to the Board. A director who has a personal interest in a matter that is considered at a meeting of the Board, the Audit Committee or the Remuneration Committee shall not attend that meeting (unless the chair of the Board, the Audit Committee or the Remuneration Committee, as the case may be, determines that such person's presence at the meeting is required for presentation of the relevant transaction) or vote on that matter, unless a majority of the respective forum has a personal interest in the matter as well. If a majority of the Board has a personal interest in the transaction, then shareholders' approval is also required.

The authorisation of a conflict matter, and the terms of authorisation, may be reviewed at any time by the Board. The Board considers that these procedures are operating effectively. There have been no matters arising requiring assessment by the Board as a potential conflict during this year.

Board evaluation

As described in the 2019 Annual Report, Plus500, in accordance with Provision 21 of the Code, carried out an external Board Evaluation in 2019, with the feedback report presented by Genius Boards.

The evaluation covered attending several Board meetings and Committee meetings, interviewing the Board of Directors, the Company Secretary and several executives and relevant advisors to the Company.

The Company expects to have its next externally facilitated Board evaluation in 2022, in accordance with the recommendation specified in Provision 21 of the Code that FTSE 350 companies shall consider to have such an external evaluation once every three years.

During the year, the Board also conducted an internal Board effectiveness evaluation, led by the Chairman with the support of the Company Secretary. The Board members were requested to complete questionnaires and to evaluate the performance of the Board and its committees during 2020, as well as the performance of the Chairman and their own performance as Board members. The findings determined, among other things, that the Board has made good progress from FY 2019 in relation to:

- Time management at the Board and Committee meetings
- Board composition – gender and fields of experience and expertise
- Progressing well in the governance journey
- Technology innovation and creativity
- Management information is freely available to the relevant parties
- Good regulatory, risk and business knowledge on the Board
- Timeliness of succession planning.

Opportunities for improved effectiveness were also identified and the Board, supported by the Company Secretary, will apply themselves delivering the agreed actions arising from the internal review in 2021.

Ensuring that the Annual Report is fair, balanced and understandable

In relation to the Annual Report and the Consolidated Financial Statements for the year ended 31 December 2020, the Board, in conjunction with the Audit Committee have sought to ensure that the Annual Report is fair, balanced and understandable. The Board considers that, taken as a whole, the Annual Report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Shareholder Engagement

The Company encourages the engagement of both institutional and private investors. During 2020, in light of COVID-19 restrictions and related public health guidance by various governments, the majority of investor meetings were conducted by the Company through virtual channels, including conference calls and video conferences. The Chief Executive Officer, David Zruia, and Chief Financial Officer, Elad Even-Chen met regularly with institutional investors, particularly with regard to the issuance of half and full year results. They were accompanied at these meetings by the Company's Head of Investor Relations, who was appointed during 2020 to manage Plus500's relationships and communications with the investment community.
The Chairman of the Board and the Senior Independent Non-Executive Director also met regularly with key investors during the year.

Communication with private individuals is maintained through the Annual General Meeting and any Extraordinary General Meeting, the Company's annual and interim reports and the scheduled, or otherwise required, trading updates. The Chairmen of the Company's Audit, Remuneration, Nomination, Regulatory & Risk and ESG Committees are made available to answer questions at the Company's Annual General Meetings. In addition, further details on the strategy and performance of the Company can be found on its website (www.plus500.com), which includes copies of the Company's press releases, financial presentations and reports.

Regular updates are provided to the Board on meetings with shareholders and analysts, as well as on brokers' opinions. Non-Executive Directors are available to meet major shareholders, as required. Investors are also encouraged to contact the Company's Head of Investor Relations at: ir@Plus500.com.

Major interests in shares

As at 22 March 2021, being the latest practicable date before the approval of this report, the Company is aware of the following persons who, directly or indirectly, were interested in 3% or more of the Company's capital or voting rights:

FUND MANAGER	NUMBER OF SHARES	%
Odey Asset Management	8,745,493	8.57
BlackRock Inc	5,376,062	5.25
Schroder Investment Management	5,218,342	5.11
The Vanguard Group, Inc	4,719,073	4.63
Acadian Asset Management	3,537,448	3.47

2020 Annual General Meeting

The 2020 Annual General Meeting was held on 16 September 2020 as a virtual meeting, due to the UK governance restrictions following the COVID-19 pandemic.

All resolutions which were voted on in the framework of the meeting were duly passed by shareholders by means of a poll vote.

2021 Annual General Meeting

In light of the UK governance prohibiting indoor public gatherings due to the COVID-19 pandemic and limitations on international travel, the Company's 2021 Annual General Meeting will be held as a virtual meeting.

Details of all resolutions to be proposed at the 2021 Annual General Meeting will be included in the Notice of Annual General Meeting to be circulated by the Company to all shareholders in due course.

Report of the Nomination Committee

Committee composition
The Nomination Committee comprises Steve Baldwin and Daniel King, and is chaired by Steve Baldwin. The Code recommends that a majority of the members of a nomination committee should be Independent Non-Executive Directors. The Board considers Steve Baldwin and Daniel King to be independent for the purposes of the Code. Details of the skills and experience of the Committee members are set out at page 53 of the report. Details of individual attendance at meetings are set out in the Committee attendance table below.

Committee attendance (in FY 2020)

	Scheduled meetings eligible to attend	Scheduled meetings attended
Steve Baldwin (Chair)	8	8
Daniel King	8	8
Charles Fairbairn[1]	8	8
Gal Haber[2]	8	8

Dear shareholder

As the Chairman of the Nomination Committee, I am pleased to take this opportunity to give you an overview of the work of the Committee during 2020.

The Board is committed to evaluating and reviewing the structure, size and composition of the Board on a continual basis, including the balance of skills, knowledge, experience and diversity of the Board while factoring in the Company's strategy, risk appetite and future development.

During 2020 the Committee led the search for a new CEO to succeed Asaf Elimelech. This involved agreeing the leadership credentials and desired experiences for the executive role. An external headhunter, True Europe LLP ("True Search") was engaged to support the process and to identify both external and internal candidates with the required skills, experience and diversity credentials. As part of the selection and appointment process, candidates completed extensive leadership assessment testing. Other than in respect of recruitment services, True Search has no other connection with the Company or any of its Directors. After a thorough and transparent process, David Zruia (previously the Group COO) was identified as the best suited candidate and his permanent appointment was announced in July 2020.

Also during the year, the Committee undertook a review of the broader composition of the Board and took into account an external review conducted in 2019 as set out in our 2019 Annual Report. The Committee identified a need to add further Independent Non-Executive Directors to increase the Board's talent diversity and was also mindful that two Non-Executive Directors and External Directors had served since the Company's IPO in 2013 and would not be eligible under the Companies Law for re-election in 2022.

The Committee engaged the services of True Search and candidate briefs were compiled and lists of appropriate candidates for each brief were drawn up with input from the Board and its advisors.

The Board is committed to diversity of gender, ethnicity, background, nationality and professional experience and these were the key pillars of the searches. Hence, I am delighted that our Board composition has been significantly diversified during FY 2020 and Q1 2021 by the addition of three Non-Executive Directors – Ms. Anne Grim, Ms. Sigalia Heifetz and Ms. Tami Gottlieb.

This increases the gender diversity on the Board, and ensures that the Company increases its talent diversity, in line with the Code and the recommendations of the Hampton-Alexander Review on gender equality in leadership positions. Following these additional appointments, I am pleased to report that as of the date of this Annual Report the Board comprises 44% female Directors.

Due to the enhanced role of the Nomination Committee set out in the Code, we are continuing to develop our programme of activity accordingly. Throughout 2020, the Nomination Committee also dedicated time to review and discuss succession planning across the business.

The Committee is continuing to take steps to ensure that there is a strong talent pipeline with the necessary set of skills and expertise, whilst considering female representation and other diversity pillars as part of this process.

Steve Baldwin
Chairman of the Nomination Committee

1. As announced on 4 February 2021, as of that date, Charles Fairbairn is no longer a member of the Committee.
2. As announced on 5 January 2021, as of that date, Gal Haber is no longer a director nor a member of the Committee

Report of the Nomination Committee *continued*

"The Board has taken significant steps to increase gender diversity through the appointment of three new female Non-Executive Directors."

Committee responsibilities and activities

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, considering succession planning and ensuring diversity at Board-level. The other key governance mandates pursuant to the written terms of reference of the Nomination Committee (which are available on the Company's website) are as follows:

- To oversee succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company;
- To identify, and nominate for the approval of the Board, candidates to fill Board vacancies (including External Directors vacancies);
- To make recommendations concerning the continuation in office of any director at any time, including the suspension or termination of service; and
- To prepare a description of the role and capabilities required for a particular appointment.

The Nomination Committee meets not less than twice a year and at such other times as required. The Nomination Committee takes into account the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board and Committees in the future, whilst remaining committed to diversity of gender, ethnicity, background, nationality and professional experience and developing a talent pipeline reflective of this diversity.

A summary of the major activities and decisions of the Committee in 2020 is set out below:

Board composition	• Re-election of directors • Review of core skills and experience of the Board and the independence of the Non-Executive Directors • Review of membership of committees • Appointment of three Non-Executive Directors (two of which during Q1 2021) • Appointment of one Executive Director (CEO)
Succession planning	• Review tenure of the directors • Review of the Company's succession plans • Foster the development of talented employees throughout the business
Diversity	• Review and amendment of Equality and Diversity Policy, in line with the Code and the 33% target for female board representation set out in the Hampton-Alexander Review. • Review of diversity on the Board, and significantly increase the female representation on the Board
2019 external & 2020 internal Board evaluation	• Discussion and assessment of the 2019 external and the 2020 internal Board evaluation findings

Following the activities of the Committee in 2020, the Committee is confident that each director brings a unique set of skills and experience which enable the Board to be reflective of a diverse and varying range of perspectives and opinions and to enable the Company to achieve its strategy and targets going forward.

The Committee believes that each Director's contribution is important to the Company's long term sustainable success.

Priorities for FY 2021

In the coming year the Committee will continue to focus on key themes such as diversity and succession planning and ensuring a diverse talent pipeline throughout the Group. As noted above, in 2020 and Q1 2021, three additional female Non-Executive Directors were appointed to the Board.

Diversity

The Board's policy on diversity commits to:

- Ensuring the selection and appointment process for employees and directors includes a diverse range of candidates;
- Disclosing statistics on gender diversity in every Annual Report (page 30); and
- Reviewing this policy from time to time and continuing to disclose this policy in the Annual Report.

As stated above, the Board has taken significant steps to increase gender diversity through the appointment of three new female Non-Executive Directors in 2020 and Q1 2021. The Committee notes the updated requirement under the Disclosure Guidance and Transparency Rules (DTR) for the Company's 2020 Annual Report to disclose diversity policies with regard to aspects such as age, gender, educational and professional backgrounds. Our diversity data is disclosed in our ESG report on pages 28 to 31.

Board Diversity Policy

OBJECTIVES	PROGRESS UPDATE
Ensuring the selection and appointment process for employees and directors includes a diverse range of candidates	Review employees' recruitment procedure which includes non-discriminatory selection process, allowing the recruitment of a diverse workforce
Improve gender diversity at Board and senior management level	Three female Non-Executive Directors were appointed in FY 2020 and in Q1 2021, following the appointment of True Search by the Board
Review Board equality & diversity policy	The Committee has reviewed and approved the Board's equality & diversity policy

Succession planning

The Committee has spent time in 2020 considering the important matter of succession planning across the business. In order to ensure minimal business disruption in the event of any unexpected senior management or Board departures, the Committee is committed to continue developing plans for identifying appropriate successors in the short, medium and long-term, whilst also having regard to the importance of diversity throughout the Group.

Due to the size of the Group, it is not always possible to identify internal successors for all roles throughout the business. Nevertheless, the Committee has reviewed plans for the succession of senior management roles throughout the business and has identified appropriate candidates as potential successors.

Relevant skills and experience on the Board

	PENNY JUDD	DAVID ZRUIA	ELAD EVEN-CHEN	CHARLES FAIRBAIRN	DANIEL KING	STEVE BALDWIN	ANNE GRIM	SIGALIA HEIFETZ	TAMI GOTTLIEB
Audit and risk management	NED	ED	ED	NED		NED	NED	NED	NED
Finance, banking, financial services and fund management	NED		ED	NED		NED	NED	NED	NED
Capital raising, mergers, acquisitions, investment and transactions	NED					NED		NED	NED
Marketing		ED			NED		NED		
Compliance & Regulation	NED	ED	ED	NED		NED		NED	NED
Shareholder relations			ED			NED			
Digital technology		ED			NED		NED		NED
Innovation		ED	ED	NED	NED		NED	NED	
ESG					NED	NED	NED		

ED Executive Director NED Non-Executive Director

Report of the Audit Committee

Committee composition
The Code recommends that an audit committee should comprise at least three members who are Independent Non-Executive Directors, and that at least one member should have recent and relevant financial experience. The Companies Law requires that an audit committee consist of at least three directors qualified to serve as members of an audit committee under the Companies Law, including all External Directors, and must be comprised of a majority of directors meeting certain independence criteria of the Companies Law. The chairman of the audit committee must be an External Director.

The Audit Committee is chaired by Charles Fairbairn, and its other members are Daniel King, Steve Baldwin, Anne Grim (as of November 2020) and Tami Gottlieb (as of March 2021). All of the members are therefore independent Non-Executive Directors under the Code and meet the criteria for independence under the Companies Law. Charles Fairbairn, Daniel King, Anne Grim and Tami Gottlieb are considered External Directors under the Companies Law. Upon Charles' stepping down from the Board, Tami Gottlieb will chair the Audit Committee.

The Board consider that Charles Fairbairn and Tami Gottlieb have recent and relevant financial experience in accordance with the requirements of the Code. Details of the skills and experience of the Committee members are set out on page 53. Details of individual attendance at meetings are set out in the Committee attendance table below.

Committee attendance (in FY 2020)

	Scheduled meetings eligible to attend	Scheduled meetings attended
Charles Fairbairn (Chair)	5	5
Daniel King	5	5
Steve Baldwin	5	5
Anne Grim	1	1

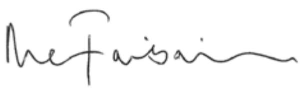
Dear shareholder

I am pleased to take this opportunity to give you an overview of the work of the Audit Committee during 2020. The Audit Committee performs a key role in the Group's governance framework, in assessing internal controls across the Group and ensuring the integrity of the Group's financial results.

Both financial reporting and the associated assurance of these reports that the Audit Committee is responsible for review have been important priorities during the year.

With the assistance of Deloitte, our internal auditor, we reviewed and monitored a multi-year internal audit plan and associated risk survey which we will continue to review and update over time.

The Committee also reviewed a list of non-audit services provided this year by the Company's external auditor and approved its plan for 2021.



Charles Fairbairn
Chairman of the Audit Committee

Committee responsibilities and activities

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed. The other key governance mandates pursuant to the written terms of reference of the Audit Committee (which are available on the Company's website) are as follows:

- To monitor the integrity of the Consolidated Financial Statements of the Group (including annual and interim accounts and results announcements);
- To monitor the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- To advise on the appointment of the Company's external auditor and on their remuneration; and
- To monitor and review the effectiveness of the Company's internal audit function.

In addition, under the Companies Law, the Audit Committee is required to monitor deficiencies in the administration of the Company, including by consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review the internal auditor's audit plan, to oversee the performance of the Company's internal auditor and the internal control functions and to establish and monitor whistleblower procedures.

The Audit Committee meets not less than four times a year and otherwise as required. The Audit Committee met on five occasions during 2020. The internal and external auditors have the right to attend meetings. The relevant Executive Directors, the Company's legal advisors and other persons may, by invitation from the Audit Committee, attend meetings. At least once per year, the Audit Committee meets privately with the external auditor.

A summary of the major activities and decisions of the Committee in 2020 is set out below:

Financial performance review	Review of the financial performance and Consolidated Financial Statements of the Company
Internal audit review	Review assessments of the control environment via internal audit reports, and progress on implementing internal and audit recommendations
External audit review	Review progress on implementing external audit recommendations. Monitor and review the effectiveness and independence of the external audit function
Risk control	Assist the Board in the monitoring of the Group's internal controls and risk management systems and their effectiveness

Significant accounting and financial judgements in 2020

The Committee considered a number of significant accounting and financial judgements and estimates, which were discussed with the external auditors in the planning stage of the audit, and received the external auditor's confirmation that no additional matters have arisen and require the Committee's attention.

The significant judgements considered were: revenue recognition, uncertain tax positions, the control environment, non-compliance with laws and regulations and appropriateness of the going concern basis of the Consolidated Financial Statements and the level of cash required within the business to satisfy both external regulators and the Group's attitude to market risk.

External auditor

It is the responsibility of the Audit Committee to keep under review the scope and cost effectiveness of the external auditor. This includes recommending to the Board the appointment of the external auditor and reviewing the scope of the audit, approving the audit fee and, on an annual basis, satisfying itself that the auditor is independent. The external auditor is engaged to express an opinion on the Consolidated Financial Statements. The external auditor discusses with management the reporting of operational results and the financial state of the Company, to the extent necessary to express their audit opinion.

Performance and effectiveness of the external auditor

Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, is retained to perform audit and audit-related work on the Company and the majority of its subsidiaries. The Committee assesses the auditor's independence and effectiveness at least on an annual basis, through closed sessions and inquiries by the Committee members and the external auditor.

The Audit Committee monitors the nature and extent of non-audit work undertaken by the auditors. Given the non-audit work undertaken by the external auditor and the Committee's oversight of its work, the Committee is satisfied that the independence and objectivity of the external auditor was adequately safeguarded throughout 2020. Nevertheless, the external auditor's independence and objectivity is kept under review and is a standing item on the agenda for the Audit Committee.

In addition, the Audit Committee periodically monitors the cost of non-audit work undertaken by the external auditor. The Audit Committee considers that it is in a position to take action if at any time it believes there is a risk of the auditor's independence and objectivity being undermined through the award of this task.

Having assessed the external auditor's effectiveness and independence during 2020, the Audit Committee concluded that the auditor has demonstrated professional scepticism and judgement and that the audit process as a whole had been conducted robustly and that the team selected to undertake the audit had done so thoroughly and professionally. The Audit Committee reviewed the re-appointment of the external auditor and recommended to the Board that the external auditor be proposed for re-election at the upcoming Annual General Meeting.

Audit tender process

The Company will tender the external auditor appointment for the financial year ended 31 December 2023. The Committee remains satisfied with the external audit process and is currently not planning to undertake a formal tender process until the financial period ended 31 December 2023. The Group is required to rotate the audit partner responsible for the Group audit every five years, with this year being the fourth year for the current audit partner, Ms. Maya Ben Shmuel.

Non-audit services

The Company maintains a Non-Audit Services Policy in order to ensure that the provision of non-audit services do not impair the external auditor's independence or objectivity. During 2020, Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, provided non-audit services, such as tax assessments and advice and regulatory reporting requirements, which totaled $0.3 million (including assurance related services of $0.1 million).
The assurance related services include mainly local regulatory reporting requirements for the regulated subsidiaries which are linked directly with the external auditors' services. In addition, part of the non-audit services in the amount of $0.1 million are related to tax assessments which are provided by the external auditor according to common practice in specific territories.

Overview of the non-audit services policy

Under the policy, all services provided by the external auditor (other than the audit itself) are regarded as non-audit services. The policy draws a distinction between permitted services (which could be provided subject to conditions set by the Committee) and prohibited services. The type of non-audit services deemed to be permitted include assurance work on non-financial data, tax services including tax advisory, and reporting best practice.

The Committee has provided pre-approval which allows management to appoint the external auditor to conduct permitted non-audit services if they fall below a set fee level. The Committee reviews the pre-approval limit on an annual basis and it is currently set at $50,000. Any non-audit service provided by the external auditor is reported to the Board. In the event that the provision of non-audit services would exceed $50,000, the Committee would request Board approval.

Report of the Audit Committee
continued

KEY FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS		HOW THE ISSUE WAS ADDRESSED BY THE AUDIT COMMITTEE
Revenue recognition	The recognition of revenue is a key matter to be reviewed, monitored and tested	• The Audit Committee held meetings, among others, with the operation, R&D and risk teams to verify compliance of revenue recognition from all related aspects such as: IT general controls, access to programs and supporting data, program changes and computer operations for the platform and for the ERP system • The Audit Committee also discussed this matter with the external auditor at the planning and conclusion phases of the audit • The Audit Committee concluded the revenue recognition process is appropriate and controls are effective and are appropriately disclosed in the Financial Statements
Uncertain tax positions	The Audit Committee is responsible for the adequate of the uncertain tax positions	• The Audit Committee held meetings, among others, with management and tax advisors to assist in assessing the technical aspect of the Group's tax positions. Including understanding the correspondence with the different tax authorities and reviewing other third parties advice obtained by management • The Audit committee discussed this matter with the external auditor through the process of the audit • The Audit Committee concluded that the provision for uncertain tax positions is reasonable
Review and assessment of the control environment	The Audit Committee is ultimately responsible for the supervision of the control environment. A key role of the Committee is to provide oversight and reassurance to the Board with regard to the integrity of the Company's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk	• The Audit Committee reviewed the internal audit reports produced in the year, discussed key findings with management and reviewed the implementation of all internal audit report recommendations brought forward from previous years, in addition the Committee reviewed key audit risk topics in assessing the internal audit reports produced for 2020 • The Audit Committee concluded the internal controls are effective. No significant internal control failings were identified during the year. Where any gaps were identified, processes were put in place to address them and these are continually monitored
Review and assessment of non-compliance with laws and regulations	A key risk to the business is the fact that the Group's business is subject to various laws and regulations in different jurisdictions according to its activity	• The Committee, in conjunction with the work of the Regulatory & Risk Committee, reviewed regulatory reports prepared by the dedicated team, in addition to reviews performed by external consultants to ensure compliance with local regulations in the areas the Group operates in • The Committee considers the grid of audits and regulatory assessments and reviews their findings. The relevant aspects of such assessments to the Committees' work are discussed and assessed by the Committee • Based on discussions with management and discussions held in the Regulatory & Risk Committee, the Audit Committee came to the conclusion that the Group is compliant with the required regulations
Review and assessment of appropriateness of the going concern basis of the Financial Statements and long-term viability	Going concern and viability are key matters for the operations of the Group	• The Audit Committee has reviewed the assessment setting out the key assumptions related to the nature of the Group's business, budget reports and cash flow forecasts for the period of three years ending 31 December 2023, taking into account the Group's anticipated investment commitments and working capital requirements • These reports detailed the impact of outcomes of stress tests after applying multiple scenarios to determine how the Group is able to cope with deterioration in liquidity profile or capital position • The Audit Committee agreed to recommend the Going Concern and Viability Statement to the Board for approval
Review and assessment of the level of cash required within the business to satisfy both external regulators and the Group's attitude to market risk	The Group requires a level of cash to ensure that it can operate its trading platform and maintain sufficient cash in its regulated entities to satisfy regulatory and operational needs	• The Audit Committee reviews on an ongoing basis the level of cash required from a regulatory, operationally and risk perspective • The Audit Committee concluded that the cash amounts held are sufficient

Fair, balanced and understandable

The Audit Committee undertakes a duty to consider whether the 2020 Annual Report and Consolidated Financial Statements taken as a whole, are fair, balanced and understandable, while final determination lies within the responsibilities of the Board. The Audit Committee, on behalf of the whole Board, also assesses whether there is enough information in the Annual Report and Consolidated Financial Statements necessary for shareholders to evaluate the financial position, performance, governance, business model and strategy of the Group.

The process

Under the Companies Law, the Committee is required to review the Consolidated Financial Statements and to recommend to the Board of Directors to approve the Consolidated Financial Statements.

During the drafting process of the 2020 Annual Report and Consolidated Financial Statements, the Committee is given the opportunity to comment and provide feedback on the drafts. The Committee also considers whether the content provided in the report has illustrated the whole picture for the year.

The Committee then evaluates whether the report is consistent throughout, with a clear layout and linkage to the different front and back sections, and whether it is presented in a logical manner to the shareholders.

Conclusion

Following the review, it was the Committee's opinion that the 2020 Annual Report and Consolidated Financial Statements are representative of the year and, taken as a whole, present a fair, balanced and understandable overview and provides the information necessary for shareholders to assess the financial position, governance, performance, business model and strategy of the Group.

Internal auditor

Pursuant to the Companies Law, the Board must appoint an internal auditor recommended by the Audit Committee. An internal auditor may not be:

- a person who holds more than 5% of the Company's outstanding shares or voting rights;
- a person who has the power to appoint a director or the Chief Executive Officer of the Company;
- an officer or director of the Company; or
- a member of the Company's independent accounting firm, or anyone on its behalf.

The role of the internal auditor is to examine, among other things, the Company's compliance with applicable laws and orderly business procedures. The Audit Committee is required to oversee the activities and to assess the performance of the internal auditor, as well as to review the internal auditor's work plan and the Committee has done so in FY 2020. The Committee concluded that the internal audit function was an effective provider of assurance over the Company's risks and controls and appropriate resources were available as required. Brightman Almagor Zohar & Co. (Deloitte Israel), a member firm of Deloitte Touche Tohmatsu Limited, serves as the Company's internal auditor.

Whistleblowing policy

The Group operates a Whistleblowing Policy which encourages all individuals within the Group (e.g., employees, partners, consultants, contractors etc.) to feel confident to voice concerns internally in a responsible, anonymous and effective manner when they discover information which they believe shows serious malpractice or impropriety, and to question and act upon those concerns. It provides a method of properly addressing bona fide concerns of such individuals, while offering whistleblowers protection from victimisation, harassment or disciplinary proceedings. The Audit Committee reports to the Board on the effectiveness of the Group's whistleblowing mechanism and on any matter that arises as a result of it. The current Whistleblowing Policy supervisor is Daniel King. No whistleblowing complaints were received in 2020.

Report of the Regulatory & Risk Committee

Committee composition

The Regulatory & Risk Committee is chaired by Penny Judd. The other members are Elad Even-Chen, Charles Fairbairn (until 4 February 2021), Sigalia Heifetz (appointed as of February 2021) and Tami Gottlieb (appointed as of March 2021). The Regulatory & Risk Committee receives monthly updates from management on risk, compliance and regulatory issues and reviews the related internal reports. Details of individual attendance at meetings is set out in the Committee attendance table below.

Committee attendance (in FY 2020)

	Scheduled meetings eligible to attend	Scheduled meetings attended
Penny Judd (Chair)	4	4
Charles Fairbairn[1]	4	4
Elad Even-Chen	4	4
Asaf Elimelech[2]	2	2

Dear shareholder

Regulatory compliance and risk management underpin the integrity of our business model and continued delivery of our strategy. The Regulatory & Risk Committee receives regular reports on both compliance and risk and challenges the performance in these areas. It also receives reports on specific areas where more detailed testing or investigation is felt appropriate. These are described more fully in the following report.

In addition, the Board undertook a thorough review of the risks to the business and updated its internal risk matrix accordingly. We have also monitored new areas of regulatory compliance such as emerging risks and developments in securities markets regulation.

The Committee and the Board have received reports on the implementation of preparation for the anticipated ASIC product intervention measures with respect to retail customers in Australia and potential Brexit scenarios. The Committee received comfort that the applicable measures have been considered and effectively implemented.

Our priorities for the coming year will be to continue to monitor regulatory changes and to seek to continue to enhance the risk assessment and monitoring within the business in the face of changing regulatory and market conditions, including the impact of the COVID-19 pandemic.

Penny Judd
Chair of the Regulatory & Risk Committee

Committee responsibilities and activities

The Regulatory & Risk Committee meets not less than three times a year and otherwise as required. The Regulatory & Risk Committee has responsibility for providing oversight with respect to current and potential future risk exposures of the Group and for overseeing and monitoring the Group's compliance with applicable laws, regulations and orders as required. Its activity includes reviewing relationships with regulatory authorities such as the Financial Conduct Authority (FCA) in the UK, the Australian Securities and Investments Commission (ASIC) in Australia, the Cyprus Securities and Exchange Commission (CySEC) in Cyprus, the Israel Securities Authority (ISA) in Israel, the Financial Markets Authority (FMA) in New Zealand, the Financial Sector Conduct Authority (FSCA) in South Africa, the Monetary Authority of Singapore (MAS) in Singapore, the Financial Services Authority (FSA) in the Seychelles and other regulatory authorities, as appropriate, in jurisdictions where the Group has a significant operation; reviewing risk assessment programmes and internal controls.

The Regulatory & Risk Committee has responsibility for reviewing the Company's most significant risks to the achievement of strategic objectives and any emerging risks, reviewing the Group's Risk Policy, ensuring that the Company's Board ethics are being adhered to.

A summary of the major activities and decisions of the Committee in 2020 is set out below.

Regulatory review	• Periodic regulatory and compliance reports review • Oversee the implementation of new regulatory requirements • Monitor and assess the Group's relationships with regulatory authorities
Licence application review	• Review licence applications submitted during the period
Risk review and assessment	• Review periodic risk reports • Review risk assessment programmes and internal risk management controls

1. As announced on 4 February 2021, Charles Fairbairn is no longer a member of the Regulatory & Risk Committee, as of that date
2. As announced on 20 April 2020, Asaf Elimelech has stepped down from his office as a director, as of that date

Report of the ESG Committee

Committee composition

The ESG Committee is chaired by Daniel King. The other members are Steve Baldwin and Anne Grim. The Committee was established in Q3 2020 and held two meetings in FY 2020. Details of individual attendance at meetings is set out in the Committee attendance table below.

Committee attendance (in FY 2020)

	Scheduled meetings eligible to attend	Scheduled meetings attended
Daniel King (Chair)	2	2
Steve Baldwin	2	2
Anne Grim	2	2

Dear shareholder

During 2020, the Board established its ESG Committee, with the objective of reviewing the Group's ESG activities and aligning them with industry and market best practice.

As the Chairman of this newly established Committee, I am pleased to take the opportunity to give you an initial overview of the work of the ESG Committee, its objectives and priorities.

The Group is committed to developing its ESG strategy and plan, and will broaden its disclosure on ESG in order to ensure key stakeholders, including shareholders, employees and customers, have a clear and comprehensive understanding of the Group's activities in these areas.

As a starting point, this year, the Committee initiated the development of a Materiality Assessment to identify key ESG priorities and risk factors and to establish a framework for the Group's future approach in these areas.

This in-depth assessment has helped the Committee to formulate an ESG roadmap for 2021 and I look forward to reporting on the Committee's progress in this regard in next years' Annual Report.

The overall responsibilities of the ESG Committee are to assess the following:

- Environmental: the Group's impact on natural environment and its adaptation to climate change including greenhouse gas emissions, energy consumption, generation and use of renewable energy, biodiversity and habitat, impact on water resources and the status of water bodies, pollution, resources efficiency, the reduction and management of waste, and the environmental impact of the Group's supply chain;
- Social: the Group's interactions with employees, commercial counterparties, stakeholders and the communities in which it operates and the role of the Group in society, workplace policies (for example, employee relations and engagement, diversity, non-discrimination and equality of treatment, health and safety and well-being), ethical procurement, any social or community projects undertaken by the Group and social aspects of the supply chain, community and stakeholder engagement or partnerships; and

Governance: the ethical conduct of the Group's business including its business ethics policies, code of conduct and counterparty due diligence.

The Committee was supported by an external ESG specialist advisor to assist conducting an ESG materiality assessment for the Group to identify its key priorities in ESG areas and, accordingly, devise a future framework and strategy for ESG matters.

This assessment, the framework for which was based on internationally accepted standards and frameworks such as the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), was driven by the findings and insights from interviews with a number of key individuals from the Board and the executive team, as well as conversations with several major shareholders.

The assessment identified the following elements as the most material ESG issues for Plus500: customer care and protection, information and data security, systems infrastructure, leadership and governance and organisational culture. More details of this Materiality Assessment can be found in the ESG report on pages 28 to 29.

Daniel King
Chairman of the ESG Committee

Report of the Remuneration Committee

Remuneration Committee composition

The Code recommends a remuneration committee to consist of at least three members and that all of its members be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement.

The Companies Law requires a remuneration committee to consist of at least three members, and all of the External Directors must be members of the committee (one of which to be appointed as the chair) and constitute the majority thereof. The remaining members must be directors who qualify to serve as members of the Audit Committee as defined in the Companies Law and whose compensation is in accordance with the compensation requirements applicable to the External Directors.

The Remuneration Committee comprises of five independent Non-Executive Directors: Daniel King, Steve Baldwin, Anne Grim, Sigalia Heifetz and Tami Gottlieb and is chaired by Daniel King. Anne Grim joined the Committee on 12 November 2020. Both Sigalia Heifetz and Tami Gottlieb joined the Committee on 4 February 2021 and 16 March 2021, respectively. Daniel King, Anne Grim and Tami Gottlieb are considered External Directors under the Companies Law. Details of the skills and experience of the Remuneration Committee members can be found on page 53.

Committee attendance (in FY 2020)

Remuneration Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Daniel King	7	7
Charles Fairbairn[1]	7	7
Steve Baldwin	7	7
Anne Grim	1	1

Dear shareholders

As the Chairman of the Plus500 Remuneration Committee, and on behalf of the Board, I am pleased to present the Remuneration Committee Report for the year ended 31 December 2020.

Plus500 is a corporate entity registered in Israel and is therefore not legally required to comply with the requirements applicable to a UK incorporated listed company. The policy and Remuneration Report being brought to shareholders for approval has been prepared with a view of the standards for a UK listed company, while making required adjustments in order to conform to the requirements under the Israeli law and market practices in Israel.

To this end our Directors' Remuneration Report provides a short overview of the new Directors' Remuneration policy that is being brought to the 2021 AGM and the Annual Report on Remuneration that sets out the remuneration paid in respect of performance in 2020.

To align with Israeli law requirements, our AGM notice and accompanying documentation will include the following, which should be considered alongside this Remuneration Report:

- An introduction from me explaining the proposed changes to our policy and operation of policy. This will include the information in respect of these matters that you would expect to see in the Annual Statement of a UK incorporated and listed company
- The new Directors' Remuneration policy to be approved by shareholders at our 2021 AGM
- The operation of policy for 2021 (which for a UK incorporated company would be included in the Annual Report on Remuneration with the remuneration paid in respect of 2020 performance)
- Details of a tax bonus which it is proposed to be paid to our Chief Financial Officer ("CFO")

Following approval of our new Directors' Remuneration policy at our 2021 AGM, that policy will be included in next year's Remuneration Report.

1. As announced on 4 February 2021, as of that date Charles Fairbairn is no longer a member of the Remuneration Committee.

Going forward, shareholders' approval will be sought for our Remuneration Policy once every three years or earlier if a change to policy is required. Shareholders will be aware that as an Israeli company we are generally required to obtain shareholder approval to the remuneration packages for our Executive Directors. If changes are made to the annual remuneration packages, shareholders' approval will be sought.

The Committee understands that historically shareholders have had concerns about Executive Directors pay and has therefore undertaken a thorough and comprehensive review of the remuneration policy and operation over the last few months with the support of external advisors Korn Ferry and a clear understanding of market practice and investor expectations. This has been followed with a period of consultation with a substantial number of our shareholders and shareholder advisory bodies. Feedback from investors has been positive overall noting the substantial changes made. Investors have also understood that there are a small number of matters that are not fully aligned with UK investor expectations and that the Committee will look to review again these matters over the policy period and at the latest at the next policy renewal. Following initial feedback the Committee refined certain aspects of its original proposals and is grateful for investor feedback on these matters.

The new remuneration policy and operation of policy for FY2021 which we intend to bring for the approval of our shareholders provides some far-reaching changes from the current policy and operation to ensure that we are making significant strides to align to a UK norm. The Committee is however cognisant of distinct sector and market dynamics in Israel where Plus500 is headquartered, the competition over talent in the Israeli market place and in the sector as a whole. It would also like to emphasise that the changes proposed have a significant impact on the way in which the current Executive Directors are paid. The Committee will therefore continue its journey over future policy reviews, keeping the approach and the structure of the Executive Directors' packages under review but very much hopes that investors will be supportive of the substantial progress that has been made in moving towards a UK norm at this time.

As part of our remuneration policy review we have considered our remuneration reporting. Our 2020 Remuneration Report provides clearer and more transparent disclosures more closely aligned to UK practice. We will continue to evolve this reporting to provide additional disclosures in future years so as to make our disclosure more aligned to UK best practice and the UK Directors' Remuneration Reporting Regulations.

Business performance

We have had our best ever year in 2020 delivering total revenue of $872.5m (up 146%), EBITDA of $515.9m (up 168%) and earnings per share of $4.71 (up 249%).

While we have had to deal with the impact of COVID-19 in terms of managing our business, we have not been affected in the same way as many other businesses. The Company has not received any government support and none of the employees have been furloughed but have retained their normal remuneration arrangements with payment of bonuses in the usual way reflecting business performance for 2020.

2020 operation of policy

As announced on 20 April 2020, our former CEO Asaf Elimelech stepped down from the Board on that date. Under his contractual arrangement, he is entitled to be paid base service fees and incentives for his twelve months' notice period, as referred to on page 70. As announced on 5 January 2021, the Executive Director, Gal Haber, stepped down from the Board on that date.

We were delighted to announce the permanent appointment of David Zruia, an internal appointment, on 7 July 2020 as our new CEO, following his appointment as interim CEO on 20 April 2020. Some very limited adjustments were made to David's remuneration package on his appointment as the Committee was cognisant of the wider remuneration review that was being carried out. David's salary was increased to NIS 1,520,000.

The CFO's base service fees remained unchanged from 2019.

Following a year of exceptional performance, the annual bonus targets were met in full with bonus payable to David Zruia of $1,015,000 and Elad Even-Chen of $1,972,000.

Under our new policy, Share Appreciation Rights will no longer be awarded to the Executive Directors. During 2020 the legacy 2018 Share Appreciation Rights held by both Executive Directors, vested.

Full details of the remuneration payable for 2020 performance and performance against targets is set out in the Annual Report on Remuneration.

The Committee is comfortable that the remuneration paid for 2020 is aligned to the excellent performance in the year and investor returns.

Report of the Remuneration Committee *continued*

Payment of tax bonus to CFO

Shareholder approval was sought in 2020 (and the resolution withdrawn) to approve a tax bonus of NIS 4.25m to Elad Even-Chen in respect of negotiations with the tax authorities and obtaining beneficial tax rates and tax rebates for the Company in the amount of more than $150m. Due to this unprecedented ruling the Company already enjoys cash savings at the level of approximately $50m, cash rebates at the level of approximately $115m and also significant cash savings continuing into 2021.

The Board is in no doubt that the Preferred Technological Enterprise status would not have been secured were it not for Elad Even-Chen's enormous and unrelenting commitment to achieving it. The fact that these approvals for the years 2017, 2018, 2019, 2020 and 2021 were secured during the height of the COVID-19 pandemic when face to face meetings and discussions were not possible is all the more impressive.

This bonus opportunity, targets assessment of performance and proposed payment made by the Remuneration Committee was done on the basis of assessing the real value of this project while understanding that this particular project is not typically part of the ongoing duties of a CFO.

The Committee understands investor concerns that this bonus opportunity was not disclosed as part of the forward looking remuneration arrangements for 2020 in the 2019 Remuneration Report. At the time the Board was not sure the objective was at all achievable and the financial implications of achieving it were commercially sensitive. We have included in the Annual Report on Remuneration and our 2021 AGM materials further details about this bonus objective to provide full retrospective disclosure.

The Committee also understands investors' concerns regarding discretionary, one off payments and as mentioned above, to address shareholders concerns and noting this is not a market norm in UK listed companies, the Remuneration Committee is removing the ability to do so in our new policy.

The Committee would ask shareholders to support this one-off payment which will be presented to shareholders for approval at our 2021 AGM as a separate resolution. It is proposed that this payment is made net of tax entirely in shares (instead of paying wholly in cash as was originally proposed), which will be held by the CFO for at least a two year period and longer to the extent shareholding requirements are not met. This ensures that the CFO is aligned to the longer-term performance and shareholder interests.

Concluding remarks

The Committee and I sincerely hope that investors will be supportive of our new policy and operation of policy for 2021 and will therefore support the shareholder resolutions to approve our new policy, the remuneration proposed as part of the operation of policy for 2021 and the separate resolution to approve the CFO's tax bonus. I am grateful for the engagement, feedback and support we have received from our shareholders as we have finalised these new remuneration arrangements.

Daniel King
Chairman of the Remuneration Committee
24 March 2021

Annual report on remuneration 2020

This section of the Annual Report describes the implementation of the Terms of Reference, Israeli law requirements and the provisions of the Code.

Committee responsibilities and activities

The Remuneration Committee meets not less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Companies Law provisions and subject to the remuneration policy of the Group, the Group's policy on the remuneration packages of the Company's Chief Executive Officer, Chief Financial Officer, Managing Director, the Chairman and the other Non-Executive Directors, the Company Secretary and other senior executives determined by the Committee.

The other key activities of the Committee pursuant to the Companies Law and the written terms of reference of the Remuneration Committee for 2020 are as follows:

- Reviewing the remuneration policy
- Approving and recommending to the Board and, where applicable, the shareholders, the total individual remuneration package of the Chairman, each Executive and Non-Executive Director, the Chief Executive Officer, Chief Financial Officer, Managing Director and other office holders (including bonuses, incentive payments and share options or other share awards);
- In determining remuneration policies for the Company's senior management and/or individual remuneration packages of each Executive Director, the Chairman and other designated senior executives, the Remuneration Committee is required to give regard to the relevant legal and regulatory requirements, the provisions of the Companies Law, the provisions and recommendations of the Code and associated guidance;
- Approving and determining the targets for any performance-related pay schemes; and
- Reviewing the design of all share incentive plans for approval by the Board and (if required or deemed appropriate) the shareholders.

The Company is planning to approve new terms of reference in 2021 (which will be available on the Company's website once approved).

Report of the Remuneration Committee *continued*

Summary of major activities and decisions of the Committee in 2020

Salary/base service fees	• Executive Directors' remuneration review • Review and approval of Non-Executive Directors' fees • Review and approval of Chairman's fees • Review of senior management fees
Bonus	• Review of the performance of the Chief Executive Officer and the Executive Directors compared to the targets set and approval of annual bonus awards for 2020 based on performance targets
Long Term Incentive Plan ("LTIP")/Restricted Share Units ("RSUs")	• Review of Executive Director's 2020 LTIP and RSUs plans (including addition of KPIs) • Review of updated clawback and malus provisions
Governance	• Review of corporate governance and determining appropriate levels of disclosure for the 2020 Directors' Remuneration Report • Review of 2020 AGM season remuneration report results, and investor and shareholder advisory bodies' views on remuneration • Review of the Committee's terms of reference in light of the Code and the Companies Law • Review of 2020 Annual Remuneration Report
Other	• Review of remuneration consultant costs and appointment • Review of workforce remuneration policies and comparison of such policies with senior management policies • Review talent pipeline and its remuneration

The Company Secretary ensures that the Remuneration Committee fulfills its duties under its terms of reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK, information on Israeli market trends and compensation structures on a broader Group level

Remuneration policy

Pursuant to the Companies Law, all public Israeli companies, including companies whose shares are only publicly traded outside of Israel, such as the Company, are required to adopt a written remuneration policy for their executives and directors, which addresses certain items prescribed by the Companies Law. The adoption, amendment and restatement of the policy is to be recommended by the Remuneration Committee and approved by the Board and the Company's shareholders.

In 2020 the Remuneration Committee has recommended to amend the Company's Remuneration Policy for Directors and Executives to provide that the remuneration packages of the Company's executives shall be subject to clawback and malus provisions authorising the Remuneration Committee to reduce any payout due (including, for the avoidance of doubt) in the event of: (i) discovery of a material misstatement in the audited consolidated accounts of the Company (which include the Company's subsidiaries) resulting in a restatement of such accounts; and/or (ii) it is determined that the assessment of the payout was based on error, or inaccurate or misleading information; and/or; (iii) action or conduct of a participant which, in the reasonable opinion of the Remuneration Committee, amounts to fraud or material dishonesty or leads to employment termination for serious misconduct; and/or (iv) the Company or a subsidiary of the Company suffers a material failure of risk management, provided that the participant's fraud or material dishonesty or gross negligence significantly contributed to such material failure of risk management. In any such event, the Remuneration Committee may also (i) require the participant to pay to the Company an amount equal to some or all of the payout; and/or (ii) reduce the amount of any future bonus payable to the participant; and/or (iii) reduce or cancel any awards under any other Company equity or cash incentive plan, that have not yet been satisfied.

The above mentioned amendments were approved by the shareholders at the 2020 AGM held on 16 September 2020.

The Committee understands that historically shareholders have had concerns about Executive Directors pay and has therefore undertaken a thorough and comprehensive review of the remuneration policy and operation over the last few months with the support of external advisors Korn Ferry and a clear understanding of market practice and investor expectations. This has been followed by a period of consultation with a substantial number of our shareholders and shareholder advisory bodies.

Following its review, the Committee intends to bring to shareholders for approval at its 2021 AGM a new Remuneration Policy and operation of policy for FY 2021.

The new remuneration policy and operation of policy for FY 2021 provides some far-reaching changes from the current policy and operation to ensure that we are making significant strides to align to a UK norm. The Committee is however cognisant of distinct sector and market dynamics in Israel where Plus500 is headquartered, the competition over talent in the Israeli market place and in the sector as a whole. It would also like to emphasise that the changes proposed have a significant impact on the way in which the current Executive Directors are paid. The Committee will therefore continue its journey over future policy reviews, keeping the approach and the structure of the Executive Directors' packages under review but very much hopes that investors will be supportive of the substantial progress that has been made in moving towards a UK norm at this time.

In developing the new Remuneration Policy, the Remuneration Committee consulted with major shareholders (covering over 50% of the issued share capital) for their views on the proposals and also engaged with shareholder advisory bodies. Based on the independent advice received from Korn Ferry, as well as the feedback received from the major shareholders and the shareholder advisory bodies, a new Remuneration Policy shall be brought for the shareholders' approval at the Company's 2021 AGM.

Amongst other matters that will be set out more fully in our 2021 AGM notice and accompanying materials, the new Remuneration Policy for Executive Directors provides for the:

- Reduction of incentive quantum and rebalancing from short term to long-term incentives;
- Changes to the annual bonus structure which includes a reduction of the maximum bonus opportunity and moving the entire deferred bonus element into shares;
- Removal from the policy of the ability to pay discretionary bonuses going forward; and
- Changes to the long term incentive structure which includes removal of the Share Appreciation Rights long-term incentive which pays out 100% in cash, replacing this with performance shares.

Stakeholder engagement

Employees

The Board regularly communicates with and receives feedback from the Group's employees through a variety of channels. Steve Baldwin, as the designated Non-Executive Director dedicated to workforce engagement, meets on a yearly basis with the workforce and at such meetings employees have the opportunity to share their views, including on executive and employee remuneration.

In addition, employees can contact Steve Baldwin directly via email on matters they wish to discuss with him or with the Board. Steve Baldwin also regularly communicates with employees who have connections with other stakeholders of the Company, such as customers and suppliers. Steve reports any key messages deriving from such conversations to the Board and ensures that such messages are considered as part of the Board's decision-making process. The Company is not obliged to comply with Section 172 of the UK Companies Act 2006. Plus500 holds regular employee workshops and briefings on a variety of topics and conducts round table discussions with employees.

The Company seeks to consider and act on employee feedback and is committed to ensuring that its remuneration structures are supported by its employees. The Company is also continually working to develop best practice in line with the Code and is considering whether additional channels of employee communication are required in order to better develop employee engagement and foster stronger connections with its workforce.

Shareholders

The Chair of the Board and the Chair of the Remuneration Committee are in regular communication with shareholders of the Company on a variety of matters and are grateful for shareholders' engagement and feedback.

As mentioned in the Remuneration Committee Chairman's Statement and the section above on our remuneration policy, in developing the new Policy, the Committee consulted with major shareholders (covering over 50% of the issued share capital) for their views on the proposals and also engaged with other shareholder advisory bodies. Feedback from investors has been positive overall noting the substantial changes made. Investors have also understood that there are a small number of matters that are not fully aligned with UK investor expectations and that the Committee will look to review again these matters over the policy period and at the latest at the next policy renewal. Following initial feedback, the Committee refined certain aspects of its original proposals and is grateful for investor feedback on these matters.

Report of the Remuneration Committee *continued*

Approach to recruitment and promotions of Directors

Plus500 believes that strong, effective leadership is fundamental to its continued growth and success in the future. This requires the ability to attract, retain, reward and motivate highly-skilled Executive Directors, with the competencies needed to excel in a rapidly changing marketplace and to continually motivate their employees.

When setting remuneration packages for new Executive Directors, pay will be set in line with the remuneration policy of the Company. Several factors will be considered, including: the geography in which the role competes or is recruited from; the candidate's experience and skills; and the remuneration levels of other Executive Directors and colleagues in peer companies and market standards and norms in the UK.

If necessary, new Executive Directors may be provided with contributions towards relocation expenses, housing, school fees etc., but for no more than necessary.

Non-Executive Directors

Non-Executive Directors are appointed for a one year term and are subject to re-election at each AGM. Notwithstanding, External Directors are appointed by shareholders for a three year term and are subject to re-election by shareholders at an EGM or AGM every three years. The term of office can be terminated by the Non-Executive Director with two months written notice, or by the Company with immediate effect if the Non-Executive Director is not re-elected or is otherwise removed from office in accordance with the Articles. Notwithstanding, External Directors' service may be terminated by the Company only in such circumstances and manner provided under the Companies Law.
Upon termination no additional payments are due.

According to the Companies Law, the appointment of External Directors is for a period of three years from the date of appointment (which may be extended for two more three-year terms).

The table below details the date and period of appointment of each Non-Executive Director

NAME	POSITION	DATE OF APPOINTMENT TO THE BOARD OF DIRECTORS	DATE OF RE-APPOINTMENT TO THE BOARD OF DIRECTORS	PERIOD OF APPOINTMENT
Penny Judd	Independent Non-Executive Director and Chairman	June 2016	September 2020	1 year
Charles Fairbairn[1]	Senior Independent Non-Executive Director and External Director	July 2013	June 2019	3 years
Anne Grim	Independent Non-Executive Director and External Director	September 2020	September 2020	3 years
Daniel King	Independent Non-Executive Director and External Director	June 2013	June 2019	3 years
Steve Baldwin	Independent Non-Executive Director	June 2017	September 2020	1 year
Sigalia Heifetz	Independent Non-Executive Director	February 2021	N/A	Until the 2021 AGM
Tami Gottlieb	Independent Non-Executive Director and External Director	March 2021	N/A	3 years

The table below details the date and period of appointment of each Executive Director presiding

NAME	POSITION	DATE OF APPOINTMENT TO THE BOARD OF DIRECTORS	DATE OF RE-APPOINTMENT TO THE BOARD OF DIRECTORS	PERIOD OF APPOINTMENT
David Zruia	Executive Director	April 2020	September 2020	1 year
Elad Even-Chen	Executive Director	July 2016	September 2020	1 year
Gal Haber[2]	Executive Director	June 2013	September 2020	1 year

1. As announced on 4 February 2021, Charles Fairbairn will step down from the Board at the earlier of the 2021 AGM or 30 June 2021.
2. Until stepping down on 5 January 2021.

Directors' Remuneration Report

Annual report on remuneration 2020

Introduction

This report sets out information about the remuneration of the directors, including the Chief Executive Officer and the Chief Financial Officer of the Company, for the year ended 31 December 2020.

Audited information – Directors' remuneration – 1 January 2020 to 31 December 2020

Single figure of remuneration

The detailed emoluments received by the Executive and Non-Executive Directors during the year ended 31 December 2020 are detailed below.

The information provided in the section and accompanying notes has been audited by Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited.

	SALARY/BASE SERVICE FEES[6]		SOCIAL EXPENSES		TOTAL FIXED PAY		ANNUAL BONUS		SHARE APPRECIATION RIGHTS		TOTAL VARIABLE PAY		TOTAL	
(US$000)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Directors														
David Zruia[1]	**319**	235	**87**	66	**406**	301	**1,015**	477	**752**	323	**1,767**	800	**2,173**	1,101
Elad Even-Chen	**498**	480	**–**	–	**498**	480	**1,972**	785	**964**	665	**2,936**	1,450	**3,434**	1,930
Asaf Elimelech[2]	**498**	480	**–**	–	**498**	480	**1,972**	785	**964**	665	**2,936**	1,450	**3,434**	1,930
Gal Haber[3]	**418**	403	**–**	–	**418**	403	**–**	–	**–**	–	**–**	–	**418**	403
Non-Executive Directors														
Penny Judd (Chairman)	**194**	192	**–**	–	**194**	192	**–**	–	**–**	–	**–**	–	**194**	192
Charles Fairbairn[4]	**153**	152	**–**	–	**153**	152	**–**	–	**–**	–	**–**	–	**153**	152
Anne Grim[5]	**36**	–	**–**	–	**36**	–	**–**	–	**–**	–	**–**	–	**36**	–
Daniel King	**88**	83	**–**	–	**88**	83	**–**	–	**–**	–	**–**	–	**88**	83
Steve Baldwin	**88**	83	**–**	–	**88**	83	**–**	–	**–**	–	**–**	–	**88**	83

1. David Zruia was appointed as the Company's CEO and as an Executive Director on 20 April 2020
2. As announced on 20 April 2020, Asaf Elimelech stepped down from the Board and from his office as the Company's CEO, as of that date.
3. As announced on 5 January 2021, Gal Haber stepped down from the Board, as of that date.
4. As announced on 4 February 2021, Charles Fairbairn will step down from the Board at the earlier of the 2021 AGM or 30 June 2021.
5. Anne Grim was appointed as a Non-Executive Director and External Director on 16 September 2020.
6. The remuneration terms comprised of a salary for David Zruia and service contract fees for Elad Even-Chen (the "base service fees").

* General notes:
(a) No Long Term Incentive Plan ("LTIP") or Restricted Share Units ("RSUs") awards had performance periods ending in the financial year ended on 31 December 2020 or in the financial year to 31 December 2019. In line with the UK reporting regulations, LTIP awards shall be reported in the year that the performance period ends with the value of the award on vesting. No LTIP awards presented accordingly.
(b) Payments are not prorated and are presented for the entire year.
(c) Further details are provided in the notes to the 2020 EGM which are available at the Company's website.

Directors' Remuneration Report *continued*

Executive Directors' service contracts

Some of the Executive Directors provide their consulting services to the Company pursuant to a service contract. The terms of their service contracts are summarised below.

Elad Even-Chen - Chief Financial Officer
The consulting services of Elad Even-Chen are provided to the Company through Elad Even-Chen Consulting Services Ltd., pursuant to the service contract entered into by the parties. Elad Even-Chen Consulting Services Ltd. is also entitled to participate in a bonus, SAR, LTIP schemes and other contractual related expenses on terms decided by the Remuneration Committee for specific projects provided by the consultant.

Asaf Elimelech – Former Chief Executive Officer (stepped down on 20 April 2020)
The consulting services of Asaf Elimelech were provided to the Company through Asaf Elimelech Consultation and Regulatory Services Ltd., pursuant to the service contract entered into by the parties. Asaf Elimelech Consultation and Regulatory Services Ltd. is also entitled to participate in a bonus, SAR, LTIP schemes and other contractual related expenses on terms decided by the Remuneration Committee for specific projects provided by the consultant.

Gal Haber – Managing Director (stepped down on 5 January 2021)
The consulting services of Gal Haber were provided to the Company through Wavesoft Ltd., pursuant to the service contract entered into by the parties. Wavesoft Ltd. is also entitled to participate in a bonus scheme and other contractual related expenses on terms decided by the Remuneration Committee.

Commentary on the single figure table

Base salary, base service fees and social and other contractual related expenses
David Zruia was appointed as permanent CEO on 7 July 2020 having held the role on an interim basis since 20 April 2020. David Zruia's annual salary was set at NIS 1,520,000 with effect from 20 April 2020. The Committee considered this to be below the market rate in part to reflect that this is his first Directorship of a listed company and that it would also be reviewed as part of the wider review of the remuneration policy being undertaken. Elad Even-Chen's base service fees remained the same as in 2019 at NIS 1,700,000.

Annual Bonus
The 2020 annual bonus for the Executive Directors was determined based on the achievement of the performance measures and targets set out below:

FINANCIAL METRICS	WEIGHTING	OBJECTIVES	PERFORMANCE	ACHIEVEMENT (% OF MAXIMUM)
EPS	60%	Achievement of an EPS growth rate, where the minimum threshold is EPS ($1.2) and the maximum payout is made for reaching a 15%. increase from the minimum threshold, EPS ($1.38) calculated on a linear basis.	Actual EPS for FY 2020 is $4.71	100%

The Committee carefully assessed performance against objectives set for the annual bonus and noting exceptionally strong performance against all of the objectives set, determined full achievement of the objectives.

The details of some of the specific targets and performance against them are not disclosed as the Board believes they are commercially sensitive. They will remain market sensitive because they are an integral part of our on-going business operations.

The Remuneration Committee has provided as much information as it is able, given the nature of the objectives, so that investors can be comfortable that the Remuneration Committee has used a thorough approach in setting the objectives and targets and measuring the outcome.

NON-FINANCIAL METRICS	WEIGHTING	OBJECTIVES	PERFORMANCE	ACHIEVEMENT (% OF MAXIMUM)
Strategic	13.3%	Achievement against Board approved strategic plan, covering the following areas: • Platform improvement/investment plans • Expansion into new locations • Securing new licences • Market position • Employee engagement • Performance reviews • Diversity	Parameters achieved for 2020 and include for example: • Significant technical platform improvements made in the year • Progress made in working toward securing new licenes in several territories • As set out on page 25, significant progress on employee engagement achieved • As set out on page 30, significant progress on our diversity strategy achieved	100%
Operational	13.3%	• Systems availability measured with reference to the cost to the Company of incidents caused by system issues and underpinned by maintaining systems availability of 99.98%	Parameters achieved for 2020	100%
Risk	13.3%	Achievement assessed by Chair of Risk Committee against: • Risk Register • Breaches Register • Enhancement of risk controls and stress testing • Relationship with regulators • Reputation management	Parameters achieved for 2020	100%
Total	**40%**			**100%**

Based on the performance described above the Committee agreed the following 2020 bonus awards based on 100% of the maximum opportunity.

2020 bonus awards (US$000)

	CASH BONUS	DEFERRED BONUS	TOTAL ANNUAL BONUS	MAXIMUM OPPORTUNITY AS PERCENTAGE OF ANNUAL SALARY/BASE SERVICE FEES*
David Zruia	677	338	1,015	230%
Elad Even-Chen	1,315	657	1,972	400%
Asaf Elimelech	1,315	657	1,972	400%

* Percentage calculation based on annual employee/contractual agreements in NIS.

An amount equal to 33.33% of the Annual Bonus achieved (the "Deferred Amount") shall be paid in three equal installments on 31 December 2021, 31 December 2022 and 31 December 2023 (each, a "Deferred Payment Date"), with 50% of the deferred amount paid on each Deferred Payment Date in cash and 50% paid by way of allotment of ordinary shares of the Company. According to David's employment agreement the deferred bonus for the year 2020 will be settled entirely in cash. The number of ordinary shares allotted on any Deferred Payment Date shall be calculated based on the ordinary share price at 1 January 2020, as adjusted for dividends.

In respect of the year 2019, the Deferred Amount of $262,000 vested for Elad Even-Chen and Asaf Elimelech in December 2019, shall be paid in three equal installments on 31 December 2020, 31 December 2021 and 31 December 2022 (each, a "Deferred Payment Date"), with 50% of the deferred amount paid on each Deferred Payment Date in cash and 50% paid by way of allotment of ordinary shares of the Company. The number of ordinary shares allotted on any Deferred Payment Date shall be calculated based on the ordinary share price at 1 January 2019, as adjusted for dividends.

Directors' Remuneration Report *continued*

Share Appreciation Rights ("SARs") vested during 2020

SARs are a deferred cash incentive subject to continued providing service or employment over a long term periods and tied to the long term performance of the Company's ordinary shares.

SARs granted to the Executives in December 2018 and fully vested in December 2020 are summarised in the table below.

	GRANT DATE	VEST DATE	GRANT AMOUNT (USD)	VESTED VALUE (USD)
David Zruia	30 December 2018	30 December 2020	517,653	752,082
Elad Even-Chen	30 December 2018	30 December 2020	663,658	964,168
Asaf Elimelech	30 December 2018	30 December 2020	663,658	964,168

In respect of the year 2020 SARs grants, the remuneration package to David Zruia included SARs granted in the amount of $634,737 (NIS 2,200,000) in December 2019 and will be vested after three years in December 2022. The remuneration package to Elad Even-Chen included SARs granted in the amount of $721,293 (NIS 2,500,000) in December 2019 and will be vested after three years in December 2022. Elad Even-Chen's 2020 SARs grant amount remained unchanged from 2019 while the vesting period increased from two to three years.

2020 LTIP / RSUs Awards

Scheme interests awarded during the year ending 31 December 2020

Executive Directors were granted Long Term Incentive Plan ("LTIP") and Restricted Share Units ("RSUs") Grants in respect of 2020 which will vest after three years to the extent performance targets and KPIs have been achieved, as summarised in the table below.

		TARGETS	
PERFORMANCE MEASURE	WEIGHTING	THRESHOLD (30% OF MAX)	MAXIMUM (100% OF MAX)
Relative TSR vs FTSE 250	40%	Median	Upper Quartile
EPS	40%	5% p.a.	12% p.a.
HR Criteria	20%	Achievement against Board approved strategic plan, covering the following areas: • Employee attrition rates • Development of the R&D team	

The details for the LTIPs and RSUs awards granted to each Executive Director is shown below.

	GRANT DATE	NUMBER OF SHARES GRANTED	FACE VALUE OF THE AWARD (USD)	VESTING DATE	MAXIMUM OPPORTUNITY AS PERCENTAGE OF ANNUAL SALARY/BASE SERVICE FEES[1]
David Zruia	1 January 2020	19,870	230,814	1 January 2023	53%
Elad Even-Chen	1 January 2020	24,837	288,517	1 January 2023	59%

1. Percentage calculation based on annual amounts of the contractual agreements in NIS.

General notes:
(a) Face value of the award calculated with reference to share price on 1 January 2020 of 886 pence and FX rate USD/ILS of 3.466
(b) David Zruia's award is structured as an RSU, in accordance with the provisions of the Capital Gain route under Section 102 of the Israeli Tax Ordinance.
(c) The grant made to Asaf Elimelech lapsed on his leaving the Company, subject to his contractual agreement of 12 months' notice period

The grant will vest on the third anniversary, with any shares vesting subject to a two-year post-vesting holding lock-up period.

On the third anniversary of the grant date, and subject to fulfilling the vesting conditions, the Company shall allot to the employee or service contractor, ordinary shares with an aggregate value of up to the initial value granted on the grant date, subject to achieving specific KPI's as described in the table above for each plan.

The number of Ordinary Shares allotted on the vesting date shall be calculated based on the Ordinary Share price at grant date as specified in the table above for each plan, as adjusted for dividends (with any amounts adjusted for dividends payable in cash).

The allotted ordinary shares will be transferred out of the treasury shares of the Company.

Payments to past Directors and payments for Loss of Office

Executive Director Gal Haber stepped down from the Board on 5 January 2021. He does not receive annual bonus or long-term incentive awards.

Executive Director Asaf Elimelech, former CEO, stepped down from the Board on 20 April 2020. He has a twelve months' notice period and continued with the Group in a transitional role alongside the Interim CEO until our new CEO was appointed including retaining his role as a Director of certain Group's subsidiaries. In accordance with his contractual agreement and in line with the remuneration approved by shareholders, Asaf Elimelech was paid his base service fees, annual bonus and receives incentives that have vested by 31 December 2020. There are no unvested amounts payable after 31 December 2020.

All amounts paid are set out in the Single figure of remuneration table.

Further information on 2020 remuneration

Directors' shareholdings and share plan interests

Summary of Directors' shareholdings and share plan interests as at 31 December 2020[1].

	OUTSTANDING SCHEME INTERESTS AS AT 31/12/2020		BENEFICIAL OWNERSHIP IN SHARES			
	SUBJECT TO PERFORMANCE CONDITIONS	WITHOUT PERFORMANCE CONDITIONS	AS AT 1 JANUARY 2020	AS AT 31 DECEMBER 2020[2]	SHAREHOLDING REQUIREMENT (% OF SALARY/ BASE SERVICE FEES)	CURRENT SHAREHOLDING AS AT 31/12/2020 (% OF SALARY/ BASE SERVICE FEES)
Executive Directors						
David Zruia	**19,870**	–	12,000	**17,000**	200%	71%
Elad Even-Chen[3]	**45,517**	37,080	30,460	**54,100**	200%	203%
Asaf Elimelech[4]	–	37,080	30,460	**51,460**[8]	N/A	N/A
Gal Haber[5]	–	–	1,805,457	**2,069,769**	N/A	N/A
Non-Executive Directors						
Penny Judd[6]	–	–	25,691	**25,691**	–	–
Charles Fairbairn[7]	–	–	55,000	**55,000**	–	–
Anne Grim	–	–	–	**–**	–	–
Daniel King	–	–	27,169	**27,169**	–	–
Steve Baldwin	–	–	–	**–**	–	–

1. Save as disclosed above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor persons connected to the Directors (within the meaning of s.252 of the Companies Act) have any such interest, whether beneficial or non-beneficial.
2. As at 31 December 2020 and up to the date of this Annual Report.
3. The shares are registered in the name of Elad Even-Chen Consulting Services Ltd.
4. The shares are registered in the name of Asaf Elimelech Consultation and Regulatory Services Ltd.
5. The shares are registered in the name of Wavesoft Ltd.
6. The shares are registered in the name of Penny Judd's spouse, Julian Judd.
7. As announced on 4 February 2021, Charles Fairbairn will step down from the Board at the earlier of the 2021 AGM or 30 June 2021.
8. Asaf Elimelech shareholding as at date when stepped down from the Board, 20 April 2020.

General notes:
(a) Outstanding scheme interest as at 31 December 2020 include 2019 and 2020 LTIP/RSU awards that have not vested, and vested deferred bonus for 2019 and 2020.
(b) Beneficial ownership in shares include all share plan interests together with any holdings of ordinary shares.
(c) Current shareholding as at 31 December 2020 as a % of salary/base service fees were calculated based on share price as at 31 December 2020 and FX GBP/ILS as of that date.

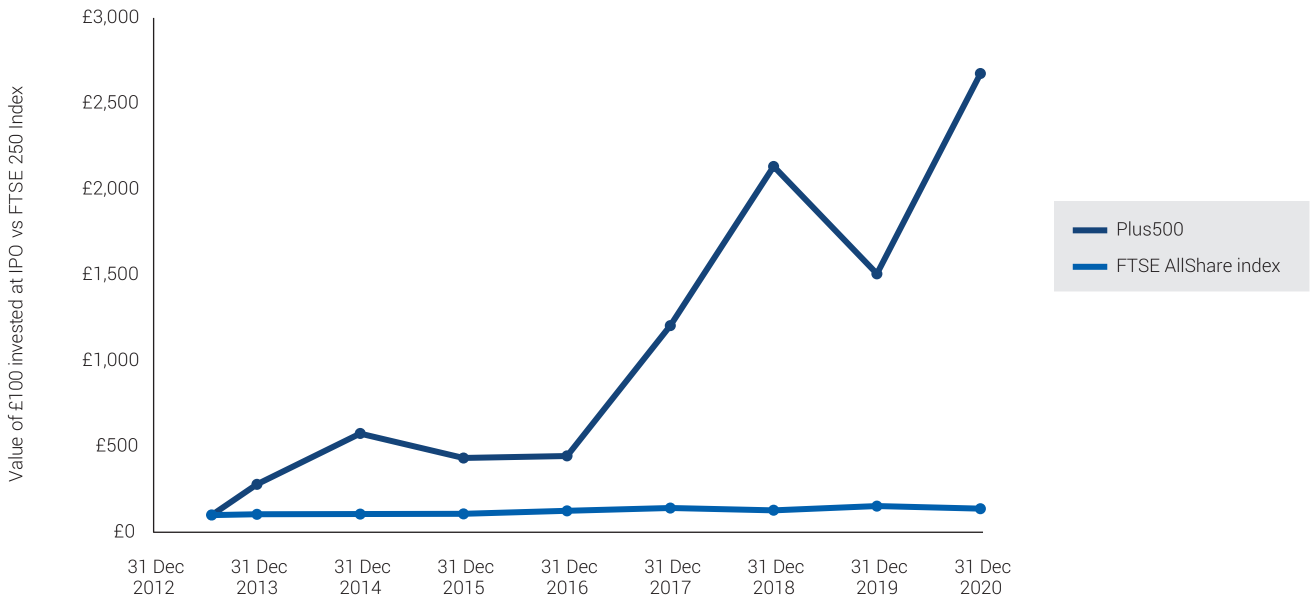
Directors' Remuneration Report
continued

Performance graph and table

Plus500 was admitted to the Alternative Investment Market of the London Stock Exchange on 24 July 2013. Following a period of sustained growth, the Company applied for Admission to the main market which became effective on 26 June 2018.

The chart below shows the TSR performance of £100 invested in Plus500 at IPO vs performance of the FTSE All Share index. As part of the Company's commitment to strengthen corporate governance, the reporting of Directors' remuneration in 2020 is being aligned to a greater extent with the regulations as applicable to a UK incorporated company. This disclosure will be built up over the coming years in line with the requirements.

TSR performance of £100 invested in Plus500 at IPO vs performance of the FTSE All Share index



	2020
CEO single figure total remuneration ($000s)	**2,173**
Annual bonus achieved for 2020 (as % of maximum opportunity)	**100%**

Relative importance of the spend on pay

The following table sets out the change in dividends and overall spend on pay in the years ended 31 December 2020 and 2019.

	2019	2020	PERCENTAGE CHANGE
Total gross employee and other related expenses pay	31.5	**50.8**	**61%***
Dividends	101.1	**141.6**	**40%**
Share buybacks	47.2	**88.8**	**88%**

* Includes the increase of the Group number of employees and service contractors.

The Company continues to update and tailor its Remuneration Report disclosures to align with UK corporate governance best practice. To this end, the 2020 Annual Report includes several new elements of disclosure in the Remuneration Report, with further additional reporting and disclosure expected to be included in the Remuneration Report of the 2021 Annual Report.

Non-Executive Directors' letters of appointment

On their initial appointment, each of the Non-Executive Directors signed a letter of appointment with the Company, for an initial period of three years.

The letters of appointment of Penny Judd, Steve Baldwin and Sigalia Heifetz as Non-Executive Directors require them to retire and be subject to re-election at each Annual General Meeting in accordance with Provision 18 of the Code. The letters have been drafted such that renewed appointment will not necessitate a new letter of appointment. The appointments of Penny Judd, Steve Baldwin and Sigalia Heifetz can be terminated by the Non-Executive Director with a two months written notice, or by the Company with immediate effect if the Non-Executive Director is not re-elected or is otherwise removed from office in accordance with the Articles.

As required under, and subject to the Companies Law, the appointments of Charles Fairbairn, Daniel King, Anne Grim and Tami Gottlieb as External Directors are for a period of three years from the date of appointment (which may be extended for two more three-year terms). Charles Fairbairn and Daniel King were re-elected for a third and final three-year term effective from the 2019 AGM. As announced by the Company, Charles will be stepping down from the Board at the earlier of 2021 AGM or 30 June 2021. Anne Grim was elected for her first three-year term effective from the 2020 AGM. Tami Gottlieb was elected for her first three-year term effective from the 2021 Extraordinary General Meeting.

Each Non-Executive Director is expected to commit to a minimum of 24 days per year in fulfilling their duties as a director of the Company.

Other than the External Directors, there are no existing or proposed service contracts or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company within twelve months without payment of compensation.

Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office. The Chairman of the Company does not receive any fees for acting as Chairman other than the fees as a Non-Executive Director.

The Chairman and Non-Executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement.

In addition, there are more stringent regulations around the exact roles of Non-Executive Directors. The Audit and Remuneration Committee Chairmen must be External Directors who once appointed serve for three years but are then restricted from becoming the Chairman or holding any paid role at the Company for two years after they leave the Board.

External board appointments

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. The Board assesses and confirms that such appointment will not have any material impact on the performance of the Director, and will not affect the Director's commitments and duties as a Director of the Company.

Steve Baldwin is currently a Non-Executive Director of TruFin Plc and The Edinburgh Investment Trust Plc.

Penny Judd is currently a Non-Executive Director of TruFin Plc, Alpha Financial Markets Consulting Plc and Team17 Group Plc.

Anne Grim is currently a Non-Executive Director of Insight Investment, Metro Bank PLC, RateSetter and Openwork Holdings Ltd.

Sigalia Heifetz currently holds non-executive directorships at a number of leading Israel-based corporations across a range of sectors and industries, including Nesher Israel Cement Enterprises Ltd, Clal Biotechnology Industries Ltd, Golf & Co Ltd, Maman Cargo Terminals and Handling Ltd and Tamar Petroleum Ltd.

Tami Gottlieb is currently an External Director at Bank Leumi Le'Israel Ltd. – one of Israel's two largest commercial banks, where she is Chairperson of the Audit and Financial Reports Committees and a member of the Remuneration and Business & Credit & Strategy Committees, having previously been on the Technology Committee and on the Risk management Committee. Tami Gottlieb is also Chairperson at Shefayim Holdings Corporation, an External Director at Extell Limited, an Independent Director at Arad Investments and Development Ltd and a Director at Emilia Development. She is also a founder and Managing Director of Harvest Capital Markets Ltd, a wealth management and corporate finance boutique.

Non-Executive Director fees

The current annual fees for our presiding Non-Executive Directors are as follows:

NAME	ROLE	FEE
Penny Judd	Chair	£150,000
Charles Fairbairn[1]	NED & SID, External Director	£120,000
Anne Grim	NED, External Director	£75,000
Daniel King	NED, External Director	£75,000
Steve Baldwin	NED	£75,000
Tami Gottlieb	NED, External Director	£75,000
Sigalia Heifetz	NED	£75,000

1. As announced on 4 February 2021, Charles Fairbairn will step down from the Board at the earlier of the 2021 AGM or 30 June 2021.

Directors' Remuneration Report *continued*

External advisors

From 17 November 2020 and in respect of the 2020 Annual Report and 2021 Remuneration Policy, the Remuneration Committee received independent advice from Korn Ferry LLC on the Remuneration Policy review and market practice. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all aspects to the terms of the Code. The Remuneration Committee is satisfied that the advice provided by Korn Ferry LLC in relation to remuneration matters is objective and independent.

The Committee appointed KPMG LLC in 2019 in respect of the 2020 remuneration policy, as remuneration consultants (non-audit services). KPMG LLC provided remuneration assistance with the transition to a more UK corporate governance compliant structure after the move to the Main Market in June 2018 and advice in relation to compliance with the Code. Their advice linked Executive remuneration, Non-Executive remuneration and recent shareholder guidance, with similar companies and market developments. KPMG LLC is a member of the Remuneration Consultants' Group, and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. KPMG Ltd. is the auditor of Plus500CY Ltd., it is a different and separate entity from KPMG LLC that provided the remuneration consultancy work. KPMG LLC has no connection to the Company or individual directors. As such, the Committee is satisfied that the advice provided by KPMG LLC in relation to remuneration matters is objective and independent.

Statement of voting on remuneration at 2020 meetings

The table below shows votes cast by proxy at the EGM held on 20 February 2020 and the AGM held on 16 September 2020 in respect of the Directors' remuneration.

AGM RESOLUTIONS	FOR	% VOTES CAST	AGAINST	% VOTES CAST	VOTE WITHHELD
Amend Remuneration Policy	64,445,724	95.44	3,077,629	4.56	12,505,940
Approve fees to Anne Grim	67,747,466	100.00	0	0.00	12,281,827
Approve increase in fees to Steve Baldwin	67,383,802	99.51	331,969	0.49	210
Approve increase in fees to Daniel King	67,383,802	99.51	331,969	0.49	210
Approve increase in salary to David Zruia	67,220,665	99.22	526,591	0.78	12,282,037
Approve grant of RSU to David Zruia	65,457,861	96.62	2,289,395	3.38	12,282,037

EGM RESOLUTIONS	FOR	% VOTES CAST	AGAINST	% VOTES CAST	VOTE WITHHELD
Remuneration terms for Asaf Elimelech	50,106,651	64.57	27,495,009	35.43	77,601,660
Remuneration terms for Elad Even-Chen	50,157,827	64.59	27,495,009	35.41	77,652,836

Most highly remunerated executives in 2020

The table below shows the remuneration of the Company's five most highly compensated executives in 2020 (including two Executive Directors and one former Executive Director):

	2020 FEES ($)
Asaf Elimelech	3,433,753*
Elad Even-Chen	3,433,753
Ari Shotland	2,300,919
David Zruia	2,173,567
Nir Zatz	1,922,036

* Includes payments for the full year ended 31 December 2020

Implementation of policy in 2021

2021 Non-founder Executive Directors' remuneration
The Remuneration Committee has continued its efforts to modify the remuneration arrangements of the Executive Directors to better align executive compensation with UK governance standards followed by Main Market-listed companies and move further towards a structure in line with investor expectations and developments in best practice.

The Company intends to issue its 2021 AGM notice regarding a new Directors' Remuneration Policy that we are seeking shareholder approval for this policy at its 2021 AGM and the operation of policy proposed for FY2021, following the consultation currently being undertaken with support from Korn Ferry LLC with respect to shareholder advisory bodies and shareholders' feedback.

The Committee has undertaken a thorough and comprehensive review of the remuneration policy and operation over the last few months with the support of external advisors, Korn Ferry, and a clear understanding of market practice and investor expectations. Following its review, the Committee is in the process of establishing the new remuneration policy that will be put to shareholders at the 2021 AGM. Our review has covered all elements of pay including the weighting of fixed to variable pay and short to long term incentives to arrive at an overall structure of packages which the Committee considers investors will be able to support.

Whilst Plus500 is a corporate entity registered in Israel and is therefore not legally required to comply with the requirements applicable to a UK incorporated listed company, the policy that will be brought to shareholders for approval was prepared with a view of the standards for a UK listed company, while making the required adjustments in order to conform to the requirements under the Israeli law and market practices in Israel.

The Committee's proposals include some far-reaching changes from the current policy to ensure that we are making significant strides to align to a UK norm. The Committee is however cognisant of distinct sector and market dynamics in Israel where Plus500 is headquartered, the competition over talent in the Israeli market place and in the sector as a whole and that the changes proposed have a significant impact on the way in which the current Executive Directors are paid. The Committee will therefore continue its journey over future policy reviews, keeping the approach and the structure of the Executive Directors' packages under review but hopes that investors will be supportive of the substantial progress that has been made in moving towards a UK norm at this time.

This report has been approved by the Board of Directors of Plus500 Limited.

Signed on behalf of the Board

Daniel King
Chairman of the Remuneration Committee
24 March 2021

Directors' Report

The Directors of Plus500 present their report for the year ended 31 December 2020. The Directors believe that the requisite components of this report are set out elsewhere in this Annual Report and/or on the Company's website (www.plus500.com). The table below sets out where the necessary disclosure can be found.

Directors	Directors that have served during the year and summaries of the current Directors' key skills and experience are set out on pages 44 to 45 and on page 53.
Results and dividends	Results for the year ended 31 December 2020 are set out in the financial review on pages 32 to 34 and the Consolidated Statement of Comprehensive Income on page 86. Information regarding the proposed final and special dividends can be found in the financial review on page 34. Dividend payments made during the year ended 31 December 2020 can be found in the notes to the Consolidated Financial Statements on page 104.
Articles of Association	The Company's full Articles of Association can be found on the Company's website at cdn.plus500.com/media/Investors/ConstitutionalDocuments/ArticlesOfAssociation.pdf Any amendments made to the Articles of Association may be made by a special resolution of shareholders.
Share Capital	Details of the Company's share capital are set out in note 22 to the Consolidated Financial Statements on page 108. At the close of business on 24 March 2021, the Company had 101,989,491 Ordinary Shares in issue, and additional 12,898,886 Ordinary Shares are held in treasury by the Company.
Authority to purchase own shares	The Company has authority to purchase its own shares and a further authority will be sought at the upcoming Annual General Meeting.
Directors' interests	Details of the Directors' beneficial interests are set out in the Remuneration Report on page 71.
Directors' indemnities	The Company has given indemnities to each of the Directors in respect of any liability arising against them in connection with the Company's (and any associated company's) activities in the conduct of their duties. These indemnities are subject to the conditions set out in their indemnification agreements and remain in place at the date of this report.
Directors' and Officers' Liability Insurance	Directors' and Officers' Liability Insurance cover is in place at the date of this report. Cover is reviewed annually and the last renewal was carried out in October 2020.
Major interests in shares	Notifiable major shares interests of which the Company has been made aware are set out on page 50 of the Governance Report.
Political contributions	The Company did not make any donations to political organisations during the year.
Equality & Diversity policy	In December 2020 the Company reapproved and published on its website its policy on equality & diversity. cdn.plus500.com/media/Investors/CorporateGovernance/EqualityAndDiversityPolicy.pdf
Financial risk	Details of the Company's policies on financial risk management and the Company's exposure to market price risk, credit risk, liquidity risk and cash flow risk are outlined in note 24 to the Consolidated Financial Statements.
Research and Development	Details about the Company's future developments can be found in the Strategic Report on page 13.

Auditors	A resolution to reappoint Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited as external auditors will be proposed at the 2021 Annual General Meeting.
Post balance sheet events	There have been no post balance sheet events.
Audit information	Each of the Directors at the date of the approval of this report confirms that: • so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and • he/she has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Listing Rule 9.8.4R disclosures

The table below sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Interest capitalised and tax relief	n/a
Publication of unaudited financial information	n/a
Details of long term incentive schemes	Page 67 to 72
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Agreements with controlling shareholders	n/a
Shareholder waivers of dividends	n/a
Shareholder waivers of future dividends	n/a

The Directors' Report has been approved by the Board of Directors of Plus500 Limited.

Signed on behalf of the Board

Elad Even-Chen
Chief Financial Officer
24 March 2021

Corporate Law

Mandatory bids, squeeze out and sell out rules relating to the Company's ordinary shares

As the Company is incorporated in Israel, it is subject to Israeli law and the City Code on Takeovers and Mergers (the "Takeover Code") will not apply to the Company, except to the extent the Company has incorporated in its Articles of Association provisions analogous to Rules 4, 5, 6 and 8 of the Takeover Code, as described below.

Mergers

The Companies Law permits merger transactions, provided that each party to the transaction obtains the approval of its board of directors and shareholders (excluding certain merger transactions which do not require the approval of the shareholders, as set forth in the Companies Law).

Pursuant to the Company's Articles of Association, the shareholders of the Company are required to approve the merger by the affirmative vote of a majority of the outstanding Ordinary Shares of the Company. In addition, pursuant to the Companies Law, for purposes of the shareholder vote of each party, the merger will not be deemed approved if a majority of the shares not held by the other party, or by any person who holds 25% or more of the shares or the right to appoint 25% or more of the directors of the other party, has voted against the merger.

The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

In addition, under certain circumstances, the provisions of the Companies Law that deal with "arrangements" between a company and its shareholders may be used to effect squeeze-out transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75% of the shares voted on the matter, as well as 75% of each class of creditors. In addition to shareholder approval, court approval of the transaction is required.

Under the Companies Law, in the event the Company enters into a merger or an "arrangement" under the Companies Law (as described above), the provisions of the Companies Law and the Articles of Association provisions analogous to Rules 4 ,5, 6 and 8 of the Takeover Code (as follows described) do not apply.

Companies Law – Special tender offer

The Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser shall become a holder of 25% or more of the voting rights in the company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company.

Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser could become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company.

In addition, under the Companies Law, the entry by two or more shareholders into a shareholders' agreement, where such shareholders' agreement will result in such shareholders holding in concert shares in a company in an amount exceeding the thresholds set out above, may also be subject to the requirement to publish a special tender offer.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

Companies Law – Full tender offer

Under the Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90% of the company's shares or of any class of shares, unless the purchaser makes a tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. If, as a result of the tender offer, either:

- The purchaser acquires more than 95% of the company's shares or a particular class of shares and a majority of the shareholders that did not have a Personal Interest accepted the offer; or
- The purchaser acquires more than 98% of the company's shares or a particular class of shares.

Then, the Companies Law provides that the purchaser automatically acquires ownership of the remaining shares. However, if the purchaser is unable to purchase more than 95% or 98%, as applicable, of the company's shares or class of shares, the purchaser may not own more than 90% of the shares or class of shares of the target company.

Articles of Association – Takeover provisions

In addition to the tender offer rules applied by the Companies Law (as described above), offers are also subject to the takeover provisions incorporated in the Company's Articles of Association, which provisions are generally analogous to Rules 4, 5, 6 and 8 of the Takeover Code.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.
The Companies Law requires the Directors to prepare Consolidated Financial Statements for each financial year. Under that law, the directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS"). The directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Comprehensive Income of the Group for that period. The Directors considered the information provided in the Annual Report and how it assists the Company's shareholders in understanding the Group's position, performance business model and strategy.

In preparing these Consolidated Financial Statements, the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- Present information, including accounting policies, in a manner that provides relevant, reliable, consistent and understandable information;
- Make judgements and accounting estimates that are reasonable;
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of transactions, other events and conditions on the Group's financial position and financial performance;
- Prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Consolidated Financial Statements comply with applicable law.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

Each of the Directors confirms that, to the best of each person's knowledge and belief:

- The Group's Consolidated Financial Statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The Directors are also responsible for preparing the Directors' Report, Strategic Report, Corporate Governance Report and the Directors' Remuneration Report.

This report has been approved by the Board.

Signed on behalf of the Board

David Zruia
Chief Executive Officer
24 March 2021

Financial Statements

Contents

Independent report of the auditors

To the shareholders of Plus500 Ltd.

Report on the audit of the Consolidated Financial Statements

Opinion

In our opinion, the consolidated financial statements *present fairly, in all material respects* the consolidated financial position of Plus500 Ltd. (the "Company") and its subsidiaries (the "Group") as at 31 December 2020 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2020;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that is relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition The Group has developed and operates an online and mobile trading platform for trading Contracts for Difference (“CFDs”). The Group generates its trading income from Customer Income, which includes revenue from customer spreads and overnight charges, and Customer Trading Performance, which includes gains/losses on customers’ trading positions. The computation of revenue is carried out automatically by using its own developed platform which is an internal IT system (the “Platform”). The revenue is calculated based on several parameters. Part of the parameters that feed into that calculations are received from external quotation suppliers and others depend on internally developed program code within the Platform. The revenue depends on a combination of the effective operation and accuracy of controls over, and access rights to, the Platform.	Our audit predominantly focused on the Group’s control environment, including the IT environment. We tested key controls over the revenue process, from the acceptance of a new customer, through the trading activity to the revenue that is recorded in the Company’s general ledger. We tested the operating effectiveness of IT general controls, including access to programs and supporting data, program changes and computer operations for the Platform and for the ERP system. In addition, we tested program development controls over the ERP system. We also tested, through a combination of controls and substantive testing techniques, the following: • Profit/loss calculations in respect of closed positions; • Calculation of the fair value adjustment of year-end positions held by clients and the calculation of the “open positions” report produced by the Platform; • Appropriate use of feeds the Group receives from its data suppliers to confirm the integrity of the feeds used to calculate the open/close position; and • Controls associated with cash reconciliations and reconciliations with external counterparties throughout the year including client deposits/withdrawals. We agreed cash amounts of client deposits to external third party evidence at the year-end by receiving independent confirmations from banks and other third party providers. In addition, we tested the interface between the data of client money as presented in the Platform to the general ledger to ensure completeness and accuracy. Finally, to address the risk that fraudulent adjustments or transactions had been entered into the trading Platform, we read client activity reports and read a sample of client complaints. No material issues noted.
Uncertain tax provisions As discussed in Notes 3 and 10 to the consolidated financial statements, the Group operates in a multinational tax environment and is subject to tax laws, regulations and transfer pricing guidelines for intercompany transactions across several tax jurisdictions. Furthermore, the Company is subject to several tax assessments in Israel for the years 2017–2019. The subsidiaries of the Group have not yet been subject to tax assessments since their inception. The Group recognises tax provisions from uncertain tax positions when there is more likely than not a likelihood that the tax position will be sustained upon examination by the taxation authorities based on the technical merits of the position. Auditing management’s estimate of amounts related to tax provisions involves auditor judgement and challenging management because management’s estimates are complex, judgemental and based on interpretations of tax laws, regulations and legal rulings.	Among the audit procedures we performed, we involved our tax specialists to assist us in assessing the technical merits of the Group’s tax positions. This included assessing the Group’s correspondence with the relevant tax authorities and evaluating income tax opinions or other third-party advice obtained by the Group. In addition, we evaluated the appropriateness of the Group’s accounting for its tax positions. We analysed the Group’s assumptions and data used to determine the amount of tax provision and to recognised and tested the accuracy of the calculations. We also evaluated whether the Group’s disclosures complied with the accounting framework. No material issues noted.

Independent report of the auditors
continued

Going concern

We have reviewed the Directors' statement relating to Going Concern as if the Company was a UK incorporated premium listed entity. We have nothing to report having performed our review.

Other information

The Directors are responsible for the other information. The other information comprises all of the information in the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in 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 of this other information, we are required to report that fact. We have nothing to report in this regard.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Listing Rules of the United Kingdom Financial Conduct Authority (FCA) require us also to report, or we are voluntarily reporting, on certain matters as described below.

The Directors' assessment of the prospects of the Group

We have reviewed the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group as if the Company was a UK incorporated premium listed entity. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code issued in July 2018 (the "Code"); and considering whether the statements are consistent with the knowledge acquired by us in performing our audit. We have nothing to report having performed our review.

UK Corporate Governance Code

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules of the FCA, for review by the auditors.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 the 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with 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 with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Maya Ben Shmuel.

Tel Aviv, Israel

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of
PricewaterhouseCoopers International Limited

Maya Ben Shmuel
Partner
Tel Aviv, Israel

24 March 2021

Consolidated statement of comprehensive income

US dollars in millions	Note	Year ended 31 December 2020	2019
Trading income	4	**872.5**	354.5
Selling and marketing expenses	5	**315.4**	138.9
Administrative and general expenses	6	**43.5**	25.5
Operating profit		**513.6**	190.1
Financial income		**16.6**	6.7
Financial expenses		**6.9**	7.5
Financial income (expense) – net		**9.7**	(0.8)
Profit before income tax		**523.3**	189.3
Income tax expense	10	**23.2**	37.6
Profit and comprehensive income for the year		**500.1**	151.7

US dollars			
Earnings per share (basic and diluted)	11	**4.71**	1.35

The accompanying notes are an integral part of the financial statements.

Consolidated statement of financial position

US dollars in millions	Note	2020	As of 31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	15	**2.5**	2.8
Right of use assets	20	**6.0**	5.3
Long term other receivables		**1.7**	1.2
Total non-current assets		**10.2**	9.3
Current assets			
Income tax receivable	10	**6.1**	2.8
Other receivables	14	**10.0**	11.9
Cash and cash equivalents	16	**593.9**	292.9
Total current assets		**610.0**	307.6
TOTAL ASSETS		**620.2**	316.9
Liabilities			
Non-current liabilities			
Lease liabilities (net of current maturities)	20	**5.3**	4.1
Share-based compensation	9	**1.8**	–
Total non-current liabilities		**7.1**	4.1
Current liabilities			
Share-based compensation	9	**7.4**	4.8
Income tax payable	10	**2.2**	1.8
Other payables	17	**22.8**	10.3
Service suppliers	18	**22.5**	10.0
Current maturities of lease liabilities	20	**1.6**	1.6
Trade payables – due to clients	19	**1.0**	0.2
Total current liabilities		**57.5**	28.7
TOTAL LIABILITIES		**64.6**	32.8
Equity			
Ordinary shares	22	**0.3**	0.3
Share premium		**22.2**	22.2
Cost of Company's shares held by the Company	12	**(145.7)**	(57.0)
Retained earnings		**678.8**	318.6
Total equity		**555.6**	284.1
TOTAL EQUITY AND LIABILITIES		**620.2**	316.9

David Zruia
Chief Executive Officer

Elad Even-Chen
Group Chief Financial Officer

Penelope Judd
Non-Executive Director and Chairman

Date of approval of the consolidated financial statements by the Company's Board of Directors: 24 March 2021.
The accompanying notes are an integral part of the financial statements.
Registered Company number (Israel): 514142140

Consolidated statement of changes in equity

US dollars in millions	Ordinary shares	Share premium	Cost of Company's shares held by the Company	Retained earnings	Total
Balance at 1 January 2019	**0.3**	**22.2**	**(9.8)**	**268.0**	**280.7**
Changes during the year ended 31 December 2019					
Profit and comprehensive income for the year	–	–	–	151.7	151.7
Transaction with shareholders:					
Dividend	–	–	–	(101.1)	(101.1)
Acquisition of treasury shares	–	–	(47.2)	–	(47.2)
Balance at 31 December 2019	**0.3**	**22.2**	**(57.0)**	**318.6**	**284.1**
Changes during the year ended 31 December 2020					
Profit and comprehensive income for the year	–	–	–	500.1	500.1
Share based compensation	–	–	–	1.8	1.8
Transaction with shareholders:					
Dividend	–	–	–	(141.6)	(141.6)
Issue of treasury shares to settle equity share based compensations	–	–	0.1	(0.1)	–
Acquisition of treasury shares	–	–	(88.8)	–	(88.8)
Balance at 31 December 2020	**0.3**	**22.2**	**(145.7)**	**678.8**	**555.6**

The accompanying notes are an integral part of the financial statements.

Consolidated statement of cash flows

US dollars in millions	Year ended 31 December 2020	2019
Operating activities:		
Cash generated from operations (see Note 25)	**546.6**	170.1
Income tax paid, net	**(23.1)**	(47.6)
Interest received, net	**5.2**	4.8
Net cash flows provided by operating activities	**528.7**	127.3
Investing activities:		
Purchase of property, plant and equipment	**(0.3)**	(0.1)
Net cash flows used in investing activities	**(0.3)**	(0.1)
Financing activities:		
Dividend paid to equity holders of the Company	**(141.6)**	(101.1)
Payment of principal in respect of lease liabilities	**(1.8)**	(1.8)
Acquisition of treasury shares	**(88.8)**	(47.2)
Net cash flows used in financing activities	**(232.2)**	(150.1)
Increase (decrease) in cash and cash equivalents	**296.2**	(22.9)
Balance of cash and cash equivalents at beginning of the year	**292.9**	315.3
Gains from exchange differences on cash and cash equivalents	**4.8**	0.5
Balance of cash and cash equivalents at end of the year	**593.9**	292.9

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

Note 1 – General information

Information on activities

Plus500 Ltd. (the "Company") and its subsidiaries (the "Group") has developed and operates an online and mobile trading platform within the Contracts for Difference ("CFDs") sector enabling its international customer base of individual customers to trade CFDs on over 2,500 underlying financial instruments internationally. The Group offers CFDs referenced to shares, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange.

The Group's offering is available internationally with a significant market presence in the UK, Australia, the European Economic Area (EEA) and the Middle East and has customers located in more than 50 countries. The Group operates through operating subsidiaries regulated by the Financial Conduct Authority (FCA) in the UK, the Australian Securities and Investments Commission (ASIC) in Australia, the Cyprus Securities and Exchange Commission (CySEC) in Cyprus, the Israel Securities Authority (ISA) in Israel, the Financial Markets Authority (FMA) in New Zealand, the Financial Sector Conduct Authority (FSCA) in South Africa, the Monetary Authority of Singapore (MAS) in Singapore and the Financial Services Authority (FSA) in the Seychelles.

The Company also has a subsidiary in Bulgaria which provides operational services to the Group.

On 24 July 2013, the Company's shares were admitted to trading on AIM market of the London Stock Exchange in the Company's initial public offering ("IPO"). On 26 June 2018, the Company's shares were admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange Main Market for listed securities.

The Group is engaged in one operating segment – CFD trading.

The address of the Company's principal offices is Building 25, MATAM, Haifa 31905, Israel.

Note 2 – Summary of significant accounting policies

a. Basis of accounting and accounting policies

The Group's consolidated financial information as of 31 December 2020 and 2019 and for each of the two years in the period ended on 31 December 2020 are in compliance with International Financial Reporting Standards that consist of standards and interpretations issued by the International Accounting Standard Board (hereafter – IFRS).

The significant accounting policies described below have been applied consistently in relation to all the reporting periods, unless otherwise stated.

The financial information has been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets at fair value through profit or loss presented at fair value.

b. Going concern

The Group has considerable financial resources, and a substantial active customer base which is diversified geographically worldwide. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these consolidated financial statements.

c. Principles of consolidation

The Company controls the subsidiaries since it is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over them.

1. The consolidated financial statements include the accounts of the Company and its subsidiaries.

2. Intercompany balances and transactions between the Group's entities have been eliminated.

3. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of the Company's ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all potential dilutive ordinary shares. The instruments that are potentially dilutive ordinary shares are equity instruments granted to employees and service contractors (see note 9). A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding equity instruments. The number of ordinary shares calculated as above is compared with the number of ordinary shares that would have been issued assuming the exercise of the equity instruments (see also note 11).

e. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

As stated in note 1 above, the Group operates in one operating segment: CFD trading.

Note 2 – Summary of significant accounting policies *continued*

f. Foreign currency translation

1. Functional and Presentation Currency
Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in US dollars ("USD"), which is the Group's functional and presentation currency.

2. Transactions and balances
Foreign currency transactions in currencies different from the functional currency (hereafter – "foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Gains and losses arising from changes in exchange rates are presented in the consolidated statement of comprehensive income among "financial income (expenses)".

g. Trading income

Trading income represents Customer Income, which includes revenue from customer spreads and overnight charges, and Customer Trading Performance, which includes gains/losses on customers' trading positions, arising on client trading activity, primarily in contracts for difference on shares, indices, ETFs, options, commodities, cryptocurrencies and foreign exchange. Open client positions are carried at fair value and gains and losses arising on this valuation are recognised as trading income, as well as gains and losses realised on positions that have closed.

h. Share-based compensation

1. Cash settled
The Group operates a cash-settled share-based compensation plan, under which it receives services from employees and service contractors as consideration for Share Appreciation Rights. The fair value of the employee and service contractors received in exchange for the grant of the rights are recognised as an expense in the consolidated statements of comprehensive income. At the end of each reporting period, the Group evaluates the Share Appreciation Rights ("SARs") based on their fair value as prorated over the period and the change in prorated fair value is recognised in the consolidated statements of comprehensive income.

2. Equity settled
The Group operates equity-settled share-based compensation plans, under which it receives services from employees and service contractors as consideration for ordinary shares and Restricted Share Units ("RSUs"). The fair value of the services received by employees and service contractors in exchange for the grant of ordinary shares or RSUs are recognised as an expense in the consolidated statements of comprehensive income.

The fair value of equity settled share based payment arrangements granted to employees and service contractors is recognised as an employee benefit expense and other related expenses applicable for the service contractors, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g. the Company's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and continuing to be employed or rendering services to the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees and service contractors to hold shares for a specific period of time).

The total expenses are recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of ordinary shares and RSUs that are expected to vest based on the non-market performance vesting and service conditions. The impact of the revision to original estimates, if any, in the statement of income, is recognised with a corresponding adjustment to equity.

i. Treasury shares

Treasury shares are ordinary shares of the Company held by the Company and presented as a reduction of Equity, at the consideration paid, including any incremental attributable costs, net of tax. Treasury shares do not have a right to receive dividends or to vote. The Board approves share buyback programmes. The share buyback programmes are funded from the Company's net cash balances. The ordinary shares are being purchased at fair value (see note 12).

j. Current income tax

Tax is recognised in the consolidated statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Notes to the consolidated financial statements *continued*

Note 2 – Summary of significant accounting policies *continued*

k. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Group recognises deferred taxes on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

l. Property, plant and equipment

The cost of a property, plant and equipment item is recognised as an asset only if: (a) it is probable that the future economic benefits associated with the item will flow to the Group and (b) the cost of the item can be measured reliably.

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and only when the two criteria mentioned above for recognition as assets are met.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment less their residual values over their estimated useful lives, as follows:

	Percentage of annual depreciation
Computers and office equipment	6–33
Leasehold improvements	10

Leasehold improvements are depreciated by the straight-line method over the terms of the lease (including reasonably assured options periods), or the estimated useful life (10 years) of the improvements, whichever is shorter.

The asset's residual value, the depreciation method and useful lives are reviewed, and adjusted if appropriate, at least once a year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

m. Financial instruments

1. Classification
The Group classifies its financial assets in the following measurement categories according to IFRS 9:

- Those to be measured subsequently at fair value through profit and loss, and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the statement of comprehensive income.

Financial assets are classified as current if they are expected to mature within 12 months after the end of the reporting period, otherwise, they are classified as non-current.

2. Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3. Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Details on how the fair value of financial instruments is determined are disclosed in note 24.

n. Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term bank deposits and other highly liquid short-term investments, the original maturity of which does not exceed three months.

All of the subsidiaries, except the subsidiary in Bulgaria, hold money on behalf of their clients in accordance with the client money rules required by the relevant regulatory framework. Such monies are classified as 'segregated client funds' in accordance with the regulatory requirements. Segregated client funds comprise client funds held in segregated client money accounts.

Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts are not reflected as Group's assets in the consolidated statements of financial position.

Note 2 – Summary of significant accounting policies *continued*

o. Dividends

Dividend distribution is recognised as a liability in the Group's statement of financial position in the period which the dividends are approved by the Group's Board of Directors.

p. Employee benefits and pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered pension funds.

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions.

q. Other payables and service suppliers

Other payables and service suppliers are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Other payables and service suppliers are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other payables and service suppliers are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

r. Trade payables – due to clients

As part of its business, the Group receives from its customers deposits to secure their trading positions, held in segregated client money accounts.

Assets or liabilities resulting from profits or losses on open positions are carried at fair value. Amounts due from or to clients are netted against, or presented with, the deposit with the same counterparty where a legally-enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade payables – due to clients represent balances with clients where the combination of customers' deposits and the valuation of financial derivative open positions result in an amount payable by the Group.

Trade payables – due to clients are reported in the balance sheet and classified as current liabilities as the demand is due within one year or less.

s. IFRS 16 – "Leases" (hereafter – IFRS 16)

The Group accounts for leases in accordance with International Financial Reporting Standards No.16 "Leases" ("IFRS 16").

The Group's leases include real estate lease agreements. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassesses whether a contract is, or contains,
a lease only if the terms and conditions of the contract are changed**.**

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, including, inter alia, the exercise price of the purchase options if the Group is reasonably certain to exercise that option. Simultaneously, the Group recognises a right-of-use asset in the amount of the lease liability.

The lease term is the non-cancellable period for which the Group has the right to use an underlying asset, together with both the periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

After the commencement date, the Group measures the right-of-use asset applying the cost model, less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Assets are depreciated by the straight-line method over the estimated useful lives of the right of use assets or the lease period, whichever is shorter. The depreciation periods for the real estate leases by the Group is between one to five years.

Under IFRS 16 all leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of real estate and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Notes to the consolidated financial statements
continued

Note 2 – Summary of significant accounting policies *continued*

t. New International Financial Reporting Standards, Amendments to Standards and New Interpretations

New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

Definition of Material – Amendment to IAS 1 and IAS 8:

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Note 3 – Significant accounting estimates

Considering uncertain tax positions

The assessment of amounts of current and deferred taxes requires the Group's management to take into consideration uncertainties that its tax position will be accepted and of incurring any additional tax expenses. This assessment is based on estimates and assumptions based on interpretation of tax laws and regulations, and the Group's past experience. It is possible that new information will become known in future periods that will cause the final tax outcome to be different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See also note 2j and note 10.

Note 4 – Trading income

The Trading income attributed to geographical areas according to the location of the customer is as follows:

		Year ended 31 December
US dollars in millions	**2020**	2019
European Economic Area (EEA)*	**365.3**	150.9
United Kingdom	**109.9**	38.6
Australia	**112.0**	51.2
Rest of the World	**285.3**	113.8
	872.5	354.5

* Other than the United Kingdom which is presented separately in the table above.

Note 5 – Selling and marketing expenses

		Year ended 31 December
US dollars in millions	**2020**	2019
Payroll and related expenses	**18.0**	14.9
Variable Bonuses	**4.8**	2.2
Share-based compensation	**6.6**	1.9
Commission to agents	**16.9**	8.1
Advertising	**204.2**	87.5
Commissions to processing companies	**53.0**	15.8
Server and data feeds commissions	**8.4**	7.2
Third party customer support	**0.6**	0.4
Other	**2.9**	0.9
	315.4	138.9

Notes to the consolidated financial statements
continued

Note 6 – Administrative and general expenses

US dollars in millions	Year ended 31 December 2020	2019
Payroll and related expenses	**8.0**	7.7
Variable Bonuses	**6.8**	3.0
Share-based compensation	**6.6**	1.8
Professional fees and regulatory fees	**14.6**	5.8
Office expenses	**2.7**	2.8
Travelling expenses	**0.1**	0.5
Public company expenses	**0.9**	0.9
Non-refundable VAT	**1.5**	0.8
Depreciation and amortisation	**2.3**	2.2
	43.5	25.5

Note 7 – Operating expenses

US dollars in millions	Year ended 31 December 2020	2019
Employee benefit and other related expenses	**50.8**	31.5
IT and Technology costs	**55.3**	28.6
Commissions to processing companies	**53.0**	15.8
Advertising, marketing and commission to agents	**174.2**	74.2
Professional and regulatory fees	**14.6**	5.8
Depreciation and amortisation	**2.3**	2.2
Other	**8.7**	6.3
	358.9	164.4

In the year ended 31 December 2020 and 2019, IT and Technology costs together with additional allocated other technological related costs were $70.3 million and $40.3 million, respectively.

Note 8 – Auditors' remuneration

US dollars in millions	Year ended 31 December 2020	2019
Audit of Plus500 Ltd's consolidated financial statements	**0.2**	0.2
Audit of Plus500 Ltd's subsidiaries	**0.3**	0.3
Total audit fees	**0.5**	0.5
Other assurance related services	**0.1**	0.1
Tax compliance services	**0.2**	0.2
Total non-audit fees	**0.3**	0.3
Total fees	**0.8**	0.8

Note 9 – Share based compensation

a. Cash settled share based compensation programs

1. Background
The Group grants "Share Appreciation Rights" to selected employees and service contractors upon approval of the Board of Directors and management (the "Grant").

The rights are settled in cash at the end of the period of two or three years after the Grant date for those who remain employed or continue to render services as a service contractor by the Group.

The rights represent the total amount of the Grant divided by the average closing price of the ordinary shares of the Company on the Main Market over the course of the 60 trading days immediately preceding the dates of Grant (the "Share Price on Grant Date").

As of the end of each period, the fair value of the rights is calculated by the total Grant amounts on grant date, multiplied by the average closing price of the ordinary shares of the Company on the Main Market over the course of the 60 trading days immediately preceding the end of each period (or the payout date) including dividends paid between the grant date and the end of each period (or the vesting date) divided by the average closing price of the ordinary shares of the Company on the Main Market over the course of the 60 trading days immediately preceding the end of each period, as prorated over the period.

2. The following table specifies the dates of grants and the grant rights as of each date

Grant date	Settlement date	Share price (GBP)*	Number of rights granted*	Number of employees
31 December 2017	31 December 2019	943.23	3,321	72
19 March 2018	19 March 2020	1,075.70	286	1
1 July 2018	1 July 2020	1,528.93	58	5
30 December 2018	30 December 2020	1,349.80	3,490	107
31 December 2019	31 December 2021	797.85	3,503	105
31 December 2019	31 December 2022	797.85	2,925	5
12 February 2020	12 February 2022	855.46	40	2
31 August 2020	31 August 2022	1,303.93	97	6
30 December 2020	30 December 2022	1,507.08	2,342	127
30 December 2020	30 December 2023	1,507.08	647	3

* Share price in GBP pence on grant date

Notes to the consolidated financial statements *continued*

Note 9 – Share based compensation *continued*

a. Cash settled share based compensation programs *continued*

3. Cash settled share based compensation liability

	As at 31 December	
US dollars in millions	**2020**	2019
Current liability	**7.4**	4.8
Non-current liability	**1.8**	–
	9.2	4.8

4. Cash settled share based compensation expenses

	Year ended 31 December	
US dollars in millions	**2020**	2019
Selling and marketing expenses	**6.6**	1.9
Administrative and general expenses	**5.1**	1.8
	11.7	3.7

5. Cash settled share based – number of rights outstanding

	Number of rights	
	2020	2019
Opening balance as at 1 January	**10,210**	7,071
Rights granted	**3,126**	6,428
Rights vested	**(3,668)**	(3,187)
Rights forfeited	**(900)**	(102)
Closing balance as at 31 December	**8,768**	10,210

During 2020 and 2019, 3,668 and 3,187 rights were vested in total amount of $8.6 million and $4.7 million, respectively. The average vesting price per granted right was approximately $2,351 and $1,475, respectively.

b. Equity settled share based compensation programs

Background
The Group grants long term incentive plans (“LTIP”) to selected employees located outside of Israel and service contractors (the “LTIP Grants”).

The Group grants Restricted Stock Units (“RSUs”) to selected employees located in Israel (the “RSUs Grants”).

In respect of certain projects, the Group grants bonuses with a partial deferred element settled in ordinary shares of the Company to selected service contractors (the “Deferred Bonuses”).

During 2020, the Group recognised $1.5 million as expenses in respect of the equity share based compensation plans and Deferred Bonuses in the statement of comprehensive income as administrative and general expenses and an amount of $0.3 million booked to retained earnings.

On 31 December 2020, the Company issued 5,280 of its treasury shares, in accordance with the Deferred Bonuses plan of 2019. The Company recognised the value of the issued shares on 31 December 2020 according to the fair value measured on 1 January 2019.

As of 31 December 2020, retained earnings include an amount of $1.7 million in respect of the equity share based compensation and Deferred Bonuses plans.

Note 9 – Share based compensation *continued*

b. Equity settled share based compensation programs *continued*

1. LTIP Grants

The following table specifies the dates of LTIP Grants and the number of ordinary shares as of each date, as granted for employees and service contractors.

Grant date	Settlement date	Share price (GBP)*	Number of ordinary shares granted	Number of employees and service contractors
1 January 2019	1 January 2022	1,370	15,259	1
1 January 2020	1 January 2023	886	75,627	7

* Share price in GBP pence on grant date

On 1 January 2019 and on 1 January 2020, LTIP Grants of NIS 1,000,000 for each grant, were granted to a former service contractor of the Company. As of 31 December 2020, the grants were forfeited as the continuance service condition was not achieved. The table above does not include those grants. The number of ordinary shares granted on grant date 1 January 2020 and 1 January 2019 and which were forfeited were 24,837 and 15,259 ordinary shares, respectively.

The 2019 LTIP Grant is subject to service condition and is not subject to any additional KPIs or conditions.

The 2020 LTIP Grant is subject to service condition and additional KPIs as follows:

KPI	%	DESCRIPTION	TYPE OF CONDITION
TSR	40%	Subject to achieving the three-year FTSE 250 TSR target and calculated on a linear basis, with 30% payable upon achievement of median TSR for FTSE 250 and 100% payable upon achievement of upper quartile TSR for FTSE 250	Market
EPS	40%	Subject to achieving the three-year compounded annual EPS growth rate and calculated on a linear basis, with 30% payable upon achievement of 5% compounded annual EPS growth rate and 100% payable upon achievement of 12% compounded annual EPS growth rate	Performance
HR	20%	Subject to achieving HR criteria related to churn and growth of specific departments	Performance

The fair value at grant date of the LTIP Grant is measured according to the value of the grant amount and expensed over the vesting period with a corresponding increase in equity, taking into account the best available estimate of the number of shares expected to vest under the service and performance conditions.

On the third anniversary of the grant date, and subject to fulfilling the service, the Company shall allot to the employee or service contractor, ordinary shares with an aggregate value of up to the initial value granted on the grant date, subject to achieving specific KPIs as described in the table above for each plan.

The number of ordinary shares allotted on the vesting date shall be calculated based on the ordinary share price at grant date as specified in the table above for each plan, as adjusted for dividends (with any amounts adjusted for dividends payable in cash).

The allotted ordinary shares will be transferred out of the treasury shares of the Company.

The ordinary shares allotted on the vesting date shall be subject to a two-year lock-up beginning on the vesting date.

Notes to the consolidated financial statements *continued*

Note 9 – Share based compensation *continued*

b. Equity settled share based compensation programs *continued*

2. RSUs Grants
The following table specifies the dates of RSUs Grants and the number of units as of each date.

Grant date	Vesting date	Share price (GBP)*	Number of RSUs granted	Number of employees
1 January 2020	1 January 2023	886	116,045	8

* Share price in GBP pence on grant date

Each RSU represents the right to receive one ordinary share, par value of NIS 0.01 per share, subject to the terms and conditions of the grant as approved by the Board of Directors and in accordance with the provisions of the Capital Gain route under Section 102 of the Israeli Tax Ordinance and regulations ("ITO") (the "102 Capital gain Route").

The employees are entitled to the RSUs upon completing a three years' service period in addition to KPIs as follows:

KPI	%	Description	Type of condition
TSR	40%	Subject to achieving the three-year FTSE 250 TSR target and calculated on a linear basis, with 30% payable upon achievement of median TSR for FTSE 250 and 100% payable upon achievement of upper quartile TSR for FTSE 250	Market
EPS	40%	Subject to achieving the three-year compounded annual EPS growth rate and calculated on a linear basis, with 30% payable upon achievement of 5% compounded annual EPS growth rate and 100% payable upon achievement of 12% compounded annual EPS growth rate	Performance
HR	20%	Subject to achieving HR criteria related to churn and growth of specific departments	Performance

On the vesting date, the employees shall be entitled to a cash payment equal to the aggregate dividends paid in cash to shareholders that were payable from 1 January 2020 up to 31 December 2022 with respect to the number of issued shares that were actually allotted to the employee on the vesting date with respect to the RSUs.

The allotted ordinary shares will be transferred out of the treasury shares of the Company. On the vesting date, the shares will be transferred to the trustee by the Company.

The ordinary shares allotted on the vesting date shall be subject to a two-year lock-up period beginning on the vesting date.

3. Deferred bonus Grants
The following table specifies the dates of Deferred Bonuses grants and the number of shares as of each date.

The service providers are entitled for the Deferred Bonuses upon completing a year service period in addition to KPIs.

The deferred bonuses shall be paid in three equal instalments beginning on 31 December of the year after the vesting date, by way of allotment of ordinary shares of the Company. The number of ordinary shares allotted on any Deferred Payment Date shall be calculated based on the ordinary share price on grant date, as adjusted for dividends.

Grant date	Vesting date	Share price (GBP)*	Number of ordinary shares on grant date	Number of Service contractors
1 January 2019	31 December 2019	1,370	13,834	2
1 January 2020	31 December 2020	886	56,298	2

* Share price in GBP pence on grant date

Note 10 – Income tax expense

Law for the Encouragement of Capital Investments, 5719-1959

The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets) by "Industrial Enterprises" (as defined under the Investment Law).

New Tax benefits under the 2017 Amendment that became effective on 1 January 2017 ("2017 Amendment")

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on 29 December 2016, and is effective as of 1 January 2017. The 2017 Amendment provides new tax benefits for two types of Technology Enterprises, as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a Preferred Technology Enterprise and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as Preferred Technology Income, as defined in the Investment Law.

Dividends distributed by a Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate).

a. Company taxation in Israel

The full corporate tax rate in Israel for the years 2020 and 2019 was 23%.

Under the amendment of the Encouragement of Capital Investment Law which became effective in January 2017, provided the conditions stipulated therein are met, technological income derived by Preferred Companies from "Preferred Technological Enterprise" (as defined in the 2017 Amendment) ("PTE"), would be subject to reduced corporate tax rates of 12%.

A Preferred Company distributing dividends from technological income derived from its PTE, would subject the recipient to a 20% tax (or lower, if so provided under an applicable tax treaty).

In May 2019 the Company obtained a tax ruling from the Israeli Tax Authorities ("ITA") and subject to the Company complying with the conditions stipulated by the tax ruling which the Company met and the Encouragement of Capital Investment Law, the Company is considered as a PTE. As a result, the Company's corporate tax rate for the years 2020 and 2021 is 12%.

At the beginning of July 2020, the Company received an approval from the Israeli Innovation Authority that together with the tax ruling received from the ITA in May 2019, recognising the Company as a PTE for the years 2017, 2018 and 2019. Accordingly, the applicable tax rates for the preferred technological income of a PTE for these years is 12%. Corporate tax rate for the years 2017, 2018 and 2019 was 24%, 23% and 23%, respectively.

In July 2020 the Company received approximately $47.0 million rebates (including interest) reflecting the reduced tax rate for tax year 2018. A rebate in respect of the year 2017 was received in January 2021 (refer to note 26) and a rebate in respect of the year 2019 is expected to be received from the ITA in 2021.

Notes to the consolidated financial statements *continued*

Note 10 – Income tax expense *continued*

b. Tax assessments

The Company is currently subject to several tax audits in relation to 2017–2020 tax years.

The assessments of amounts of current and deferred taxes requires the Group's management to take into consideration uncertainties that its tax position will be accepted and of incurring any additional tax expenses. This assessment is based on estimates and assumptions based on interpretation of tax laws and regulations, and the Group's past experience. It is possible that new information will become known in future periods that will cause the final tax outcome to be different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

c. Corporate taxation in subsidiaries

	Principal tax rate		
Subsidiary	**2020**	2019	Tax regulation
UK	**19%**	19%	Tax laws in United Kingdom
CY	**12.5%**	12.5%	Tax laws in Cyprus
AU	**30%**	30%	Tax laws in Australia

Other subsidiaries in the Group do not have significant taxable income and the overall effect of the income of those subsidiaries on the Group's tax expenses is immaterial.

d. Deferred income taxes

The deferred income taxes relate mainly to payroll and related expenses of the cash settled share-based compensation plans (see note 9). The deferred tax assets were computed in 2020 and 2019 at tax rates of 12% and 23%, respectively and a portion of $1.0 million will be settled in 2021.

e. Taxes on income included in the consolidated income statements for the reported periods

	Year ended 31 December	
US dollars in millions	**2020**	2019
Current taxes:		
Current taxes in respect of current year's profits	**78.7**	37.3
Tax income in respect of previous years	**(55.1)**	–
	23.6	37.3
Deferred income taxes:		
Change of deferred tax assets (see d above)	**(0.4)**	0.3
Taxes on income expenses	**23.2**	37.6

Note 10 – Income tax expense *continued*

f. Reconciliation of the theoretical tax expense

Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular corporate tax rate applicable to a Company in Israel (note 10a above) and the actual tax expense:

US dollars in millions	Year ended 31 December 2020	Year ended 31 December 2019
Income before taxes on income, as reported in the consolidated income statements	**523.3**	189.3
Theoretical tax expense in respect of this year's income – at 23%	**120.4**	43.5
Less tax benefits arising from preferred technological income in respect of the current year	**(33.8)**	–
Decrease in taxes resulting from different tax rates applicable to foreign subsidiaries	**(0.5)**	(2.9)
Increase in deferred tax expenses as a result of the decrease in the applicable tax rate for preferred technological income	**0.3**	–
Decrease in taxes in respect of currency differences and expenses not deductible for tax purposes	**(8.1)**	(2.9)
Tax income in relation to previous years	**(55.1)**	(0.1)
Taxes on income for the reported period	**23.2**	37.6

Note 11 – Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2020	Year ended 31 December 2019
Profit attributable to equity holders of the Company (in US dollars)	**500,147,555**	151,657,311
Weighted average number of ordinary shares in issue*:		
Basic	**106,086,540**	112,460,599
Dilutive effect of equity share-based payments	**212,352**	32,184
Diluted	**106,298,892**	112,492,783
Earnings per share (basic and diluted in US dollars)	**4.71**	1.35

* After weighting the effect of the buyback programme. See note 12

Notes to the consolidated financial statements
continued

Note 12 – Acquisition of the Company's shares held by the Company

The Board of Directors approves share buyback programmes. The share buyback programmes are funded from the Company's net cash balances.

Year ended 31 December	Number of ordinary shares purchased	Aggregate purchase amount (US $ in millions)	Average price of shares purchased
2019	4,746,566	47.2	£8.19
2020	5,584,528	88.8	£12.66

On 31 December 2020, the Company issued 5,280 of its treasury shares, in accordance with the deferred bonuses plan of 2019 (see note 9).

During the period starting 1 January 2021 and up to the signing date of the consolidated financial statements (see note 26), the Company repurchased an additional 1,461,963 ordinary shares (or 1.3%) in the capital of the Company for an aggregate purchase amount of $27.5 million pursuant to these share buyback programmes. The ordinary shares were bought back at an average price of £13.61.

Note 13 – Dividend

The amounts of dividends for the years 2020 and 2019 declared and distributed by the Company's Board of Directors are as follows:

Date of declaration	Amount of dividend US $ in millions*	Amount of dividend per share US $	Date of payment to shareholders
12 February 2019	70.2	0.6191	9 July 2019
13 August 2019	30.9	0.2734	28 November 2019
12 February 2020	40.6	0.3767	13 July 2020
11 August 2020	101.0	0.9531	11 November 2020

On 17 February 2021 the Company declared a final dividend and a special dividend in the amounts of $55.6 million and $29.4 million, respectively. See note 26.

* Between the dividend announcement date and the record date of the dividend, the number of issued and outstanding ordinary shares of the Company decreased as a result of the repurchase by the Company of ordinary shares during such period and the classification of such repurchased ordinary shares as treasury shares that are not entitled to dividends. However this did not affect the dividend per share as announced on the dividend announcement date.

Note 14 – Other receivables

US dollars in millions	As of 31 December **2020**	2019
Prepaid expenses	**6.6**	7.8
Other	**3.4**	4.1
	10.0	11.9

As of 31 December 2020 and 2019, the total amount of prepaid expenses includes mainly expenses related to the Company's sponsorship agreements (see note 21).

All the financial assets included among current assets are for relatively short-periods; therefore, their fair values approximate or are identical to their carrying amounts.

Note 15 – Property, plant and equipment

Composition of assets, grouped by major classifications and changes therein in 2020 is as follows:

US dollars in millions	Computers and office equipment	Leasehold improvements	Other	Total
Cost				
Balance at beginning of year	1.7	3.8	0.3	5.8
Additions	0.3	–	–	0.3
Balance at end of year	2.0	3.8	0.3	6.1
Accumulated depreciation				
Balance at beginning of year	1.4	1.5	0.1	3.0
Additions	0.2	0.4	–	0.6
Balance at end of year	1.6	1.9	0.1	3.6
Depreciated balance as of 31 December 2020	**0.4**	**1.9**	**0.2**	**2.5**
Depreciated balance as of 31 December 2019	**0.3**	**2.3**	**0.2**	**2.8**

Note 16 – Cash and cash equivalents

Cash and cash equivalents by currency of denomination:

US dollars in millions	As of 31 December **2020**	2019
USD	**543.3**	275.5
EUR	**250.7**	104.9
GBP	**91.2**	12.4
AUD	**90.0**	23.7
NIS	**18.1**	12.5
Other	**69.5**	26.5
Gross cash and cash equivalents	**1,062.8**	455.5
Less: segregated client funds	**(468.9)**	(162.6)
Own cash and cash equivalents	**593.9**	292.9

Notes to the consolidated financial statements
continued

Note 17 – Other payables

US dollars in millions	As of 31 December 2020	2019
Payroll and related expenses	**19.0**	8.5
Accrued expenses	**3.6**	1.6
Other	**0.2**	0.2
	22.8	10.3

The financial liabilities included among other payables and accruals are for relatively short periods; therefore, their fair values approximate or are identical to their carrying amounts.

Note 18 – Service suppliers

Service suppliers are comprised mainly of amounts due to advertising service suppliers, their fair values approximate or are identical to their carrying amounts.

Note 19 – Trade payables – due to clients

US dollars in millions	As of 31 December 2020	2019
Customers deposits, net*	**469.9**	162.8
Segregated client funds	**(468.9)**	(162.6)
	1.0	0.2
***Customers deposits, net are comprised of the following:**		
Customers deposits	**507.2**	221.1
Less – financial derivative open positions:		
Gross amount of assets	**(123.8)**	(68.3)
Gross amount of liabilities	**86.5**	10.0
	469.9	162.8

* As of 31 December 2020 and 2019, the total amount of 'Trade payables – due to clients' includes bonuses to the clients

Note 20 – Leases

The Group has real estate lease agreements.

a. Rights-of-use assets

Real estate leases	US dollars in millions
At 1 January 2019	6.7
Additions	0.2
Amortisation	(1.6)
At 31 December 2019	5.3
Additions	2.4
Amortisation	(1.7)
At 31 December 2020	**6.0**

b. Lease liabilities

Real estate leases	US dollars in millions
At 1 January 2019	6.7
Additions	0.2
Interest expense	0.3
Lease payments	(1.8)
Exchange differences	0.3
At 31 December 2019	5.7
Additions	2.4
Interest expense	0.2
Lease payments	(1.8)
Exchange differences	0.4
At 31 December 2020	**6.9**

Notes to the consolidated financial statements
continued

Note 21 – Commitments

a. The Company and Club Atlético de Madrid, S.A.D. ("Atlético Madrid") entered into a sponsorship agreement on 3 October 2017 under which the Company is entitled to advertise and promote itself as the main sponsor of Atlético Madrid for the 2018/19, 2019/20 and 2020/21 seasons. On 24 April 2020 the Company and Atlético Madrid signed an extension of the agreement for the season 2021/22.

b. The Company and Brumbies Rugby, the Australian professional rugby union team (the "Brumbies") entered into a sponsorship agreement on 1 October 2017 under which the Company is entitled to advertise and promote itself as the official sponsor of the Brumbies for three seasons between 1 January 2018 to 31 December 2020. On 19 September 2020, the Company and the Brumbies signed an addendum to extend the agreement for the season from 1 January 2021 to 31 December 2021.

c. The Company and Club BSC Young Boys Betriebs AG ("BSC Young Boys") entered into a sponsorship agreement on 2 June 2020 under which the Company is entitled to advertise and promote itself as the main sponsor of BSC Young Boys for the 2020/21, 2021/22 and 2022/23 seasons.

d. The Company and Club Legia Waeszawa S.A ("Legia") entered into a sponsorship agreement on 9 August 2020 under which the Company is entitled to advertise and promote itself as the main sponsor of Legia for the 2020/21, 2021/22 and 2022/23 seasons.

e. The Company and Club Atalanta Bergamasca Calcio SPA ("Atalanta") entered into a sponsorship agreement on 18 August 2020 under which the Company is entitled to advertise and promote itself as the main sponsor of Atalanta for the 2020/21, 2021/22 and 2022/23 seasons.

Note 22 – Share capital

Composed of ordinary shares of NIS 0.01 par value, as follows:

	Number of ordinary shares 31 December	
	2020	2019
Authorised	**300,000,000**	300,000,000
Issued and fully paid	**114,888,377**	114,888,377
Less treasury shares*	**(11,436,923)**	(5,857,675)
Outstanding shares	**103,451,454**	109,030,702

* Number of accumulated ordinary shares that were purchased by the Company as part of the share buyback programmes, less issue of treasury shares.

Note 23 – Related parties and key management

a. Key management personnel definition

The Board of Directors and other members of management are classified as Persons Discharging Management Responsibility ("PDMR") in accordance with IAS 24 and the Market Abuse Regulation.

The Directors' Remuneration Report discusses all the benefits and share-based payments earned during the year and the preceding year by the Directors.

b. Company's liability in respect of related parties and key management services (part of Other Payable)

	As at 31 December	
US dollars in millions	**2020**	2019
Related party and Key Management liability	**13.6**	5.3

Note 23 – Related parties and key management *continued*

c. Expenses to related parties and key management

US dollars in millions	Year ended 31 December **2020**	2019
Service fees (Selling and marketing expenses)	**7.1**	4.3
Service fees (Administrative and general expenses)	**13.5**	7.0
Non-Executive Directors fees (Administrative and general expenses)	**0.6**	0.6

The average number of key management personnel during the year was 23 (FY 2019: 20).

Note 24 – Financial risk management

The Group operates in the field of CFDs for individual clients only and offers CFDs referenced to shares, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a. Market risk

The management of the Group deems this risk as the highest risk the Group incurs.

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. This risk can be divided into market price risk and foreign currency risk, as described below.

The Group's market risk is managed on a Group-wide basis and exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. The Group utilises market position limits for operational efficiency. Not all net client exposures are hedged and the Group may have a substantial net position in any of the financial markets in which it offers products. In FY 2021, the Company implemented targeted hedging, with a view to reducing market risk. This focused approach will continue to be deployed in certain circumstances going forward, as and when appropriate.

The Group's market risk policy incorporates a methodology for setting market position limits, consistent with the Group risk appetite, for each financial instrument in which the Group clients can trade.

These limits are determined based on the Group clients' trading levels, volatilities and the market liquidity of the underlying financial product or asset class and represent the maximum long and short client exposure that the Group will hold without hedging the net client exposure.

The Group's real-time market position monitoring system is intended to allow it to continually monitor its market exposure against these limits. If exposures exceed these limits, the Group either hedges, or new client positions are rejected under the Group's policy.

It is the approach of the Group to observe during the year the 'natural' hedge arising from the Group's global clients in order to reduce the Group's net market exposure.

The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each statement of financial position date may therefore not be representative of the market risk exposure faced by the Group over the year. The Group's exposure to market risk is determined by the exposure limits described above which change from time to time.

Notes to the consolidated financial statements *continued*

Note 24 – Financial risk management *continued*

a. Market risk *continued*

1. Market price risk
This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of transactional foreign currency exposures risk.

The Group has market price risk as a result of its CFDs trading activities on shares, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange, part of which is naturally hedged as part of the overall market risk management. The exposure is monitored on a Group-wide basis.

Exposure limits are set by the risk department and management for each product, and also for groups of products where it is considered that their price movements are likely to be positively correlated. The exposures are being reviewed by the Risk & Regulatory Committee.

Daily profit on closed positions: US dollars in millions	**2020**	2019
Highest profit	**76.9**	7.6
Highest loss	**(20.9)**	(4.7)
Average	**2.4**	0.9

2. Foreign currency risk
Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the Group. Transaction exposures arise in the normal course of business.

Foreign currency risk is managed on a Group-wide basis, while the Group exposure to foreign currency risk is not considered by the Board of Directors to be significant. The Group monitors transactional foreign currency risks including currency statement of financial position exposures, equity, commodity, interest and other positions denominated in foreign currencies and trades on foreign currencies.

If the US dollar had strengthened by 1% in respect of balances denominated in other currencies, with all other variables unchanged, the exposure on income after taxes in respect of those balances would be a gain (loss) of:

	As of 31 December	
US dollars in millions	**2020**	2019
EUR	**(0.5)**	0.1
AUD	**(0.9)**	(0.1)
GBP	**0.1**	0.3

The exposure in respect of balances denominated in other currencies is immaterial.

b. Credit risk

The Group operates a real-time mark-to-market trading platform with customers' profits and losses being credited and debited automatically to their accounts.

Under the Group's policy, customers cannot owe the Group funds when losing more than they have in their accounts, all customer accounts are pre-funded.

Client credit risk – Client credit risk principally arises when a customer's total funds deposited (margin and free equity) are insufficient to cover any trading losses incurred. In particular, customer credit risk can arise where there are significant, sudden movements in the market (i.e. due to high general market volatility or specific volatility relating to an individual financial instrument in which a customer has an open position).

The Group's offering is margin-traded. If the market moves adversely by more than the customer's maintenance margin, the Group is exposed to customer credit risk.

Note 24 – Financial risk management *continued*

b. Credit risk *continued*

The principal types of customer credit risk exposures are managed by monitoring all customer positions on a real time basis. If customers funds are below the required margin level, customers positions are liquidated (margin call).

Institutional credit risk – The risk that financial counterparties will not meet their obligation, risking both client and the Group's assets.

The carrying amount of the Group's financial assets represents their maximum exposure to credit risk.

The Group has no material financial assets that are past due or impaired as at the reporting dates.

As of 31 December 2020 and 2019 counterparties holding of the Group's cash and cash equivalents, credit cards, client funds and deposits have credit ratings as follows:

Credit Rating*	**2020**	2019
AA+ to AA-	27%	26%
A+ to A-	46%	42%
BBB+ to B+	25%	25%
Remaining counterparties	2%	7%

* The financial institutions were rated by the same third party

As of 31 December 2020 the amounts held by the remaining counterparties are held in a few banks worldwide. The balance in each of those banks does not exceed 1% (2019: 3%) of total cash and cash equivalents, credit cards, client funds and deposits.

The Group's largest credit exposure to any single bank as of 31 December 2020 was $217.1 million or 20% of the exposure to all banks (2019: $79.9 million or 18%).

c. Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks.

d. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.

Liquidity risk is managed centrally and on a Group-wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

The Group's approach is to ensure that there will be no material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities.

A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases in global financial market levels.

The contractual maturity of the financial liabilities to service suppliers is generally up to two months.

Notes to the consolidated financial statements *continued*

Note 24 – Financial risk management *continued*

e. Capital Management

1. Plus500UK
The UK Subsidiary is regulated by the FCA.

The UK Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter – Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter – Pillar 2). The UK Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the FCA. Both Pillar 1 and Pillar 2 assessments are compared with total available regulatory capital on a daily basis and monitored by the management of the Group.

As of 31 December 2020 and 2019, the UK Subsidiary had £41.8 million and £35.1 million, respectively, of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

2. Plus500CY
The CY Subsidiary is regulated by CySEC.

The CY Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter – Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter – Pillar 2). The CY Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the CySEC.

The CY Subsidiary monitors on a frequent basis its Pillar 1 capital requirements and ensures that its capital position remains always above the minimum regulatory thresholds. As of 31 December 2020 and 2019, the regulatory capital of the CY Subsidiary was €71.7 million and €71.7 million, respectively, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

As of 31 December 2020 and 2019, Pillar 1 Capital Adequacy ratio was 17.9% and 31.2% respectively. Moreover, the Group is evaluating its overall risk profile and capital position through its internal capital adequacy assessment process, which is performed at least on an annual basis.

3. Plus500AU
The AU Subsidiary is regulated by ASIC, FMA and FSCA.

The AU Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The AU Subsidiary manages its capital through its Net Tangible Assets (NTA) assessment in accordance with rules and guidelines implemented by ASIC and FMA and Capital Liquidity assessment in accordance with rules and guidelines implemented by FSCA.

As at 31 December 2020 and 2019, the AU Subsidiary held Net Tangible Assets of AUD 33.2 million and AUD 21.1 million, respectively, of regulatory capital, which is in excess of its NTA requirements from ASIC, FMA and FSCA.

4. Plus500SG
The SG Subsidiary is regulated by MAS.

The SG Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The SG Subsidiary manages its capital in accordance with rules and guidelines implemented by MAS.

As at 31 December 2020 and 2019, the SG Subsidiary held regulated capital of SGD 7.8 million and SGD 7.2 million, respectively, of regulatory capital, which is in excess of its MAS requirements.

5. Plus500IL
The IL Subsidiary is regulated by the ISA.

The IL Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The IL Subsidiary manages its capital in accordance with rules and guidelines implemented by ISA.

As at 31 December 2020 and 2019, the IL Subsidiary held regulated capital of $10.2 million and $8.0 million, respectively, of regulatory capital, which is in excess of its ISA requirements.

Note 24 – Financial risk management *continued*

e. Capital Management *continued*

6. Plus500SEY
The SEY Subsidiary is regulated by the FSA.

The SEY Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The SEY Subsidiary manages its capital in accordance with rules and guidelines implemented by FSA.

f. Other business risks

The Group's business is subject to various laws and regulations in different countries according to its activity and other countries from where the Company operates. Any regulatory actions, tax or legal challenges against the Group for non-compliance with any regulatory or legal requirement could result in significant fines, penalties, or other enforcement actions, increased costs of doing business through adverse judgement or settlement, reputational harm, the diversion of significant amounts of management time and operational resources, and could require changes in compliance requirements or limits on the Group's ability to expand its product offerings, or otherwise harm or have a material adverse effect on the Group's business.

g. Fair value estimation

Financial derivative open positions (offset from, or presented with, deposits from clients within 'Trade payable – due to clients') (see also note 19) are measured at fair value through profit or loss using valuation techniques. The said valuation techniques are based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required for the fair value estimations of the said instruments are observable, the said instruments are included in level 2.

Specific valuation techniques used to value financial instruments are based on quoted market prices at the statement of financial position date and an additional predetermined amount (trading spread).

Notes to the consolidated financial statements
continued

Note 25 – Cash generated from operations

US dollars in millions	Year ended 31 December 2020	2019
Cash generated from operating activities		
Net income for the period	**500.1**	151.7
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortisation	**0.6**	0.6
Amortisation of right of use assets	**1.7**	1.6
Liability for share-based compensation	**11.7**	3.7
Settlement of share-based compensation	**(5.2)**	(7.5)
Equity share-based compensation	**1.8**	–
Taxes on income	**23.2**	37.6
Interest expenses in respect of leases	**0.2**	0.3
Exchange differences in respect of leases	**0.4**	0.3
Interest income	**(5.2)**	(4.8)
Foreign exchange gains on operating activities	**(8.3)**	(0.3)
	20.9	31.5
Operating changes in working capital:		
Decrease (increase) in other receivables	**1.9**	0.1
Increase (decrease) in trade payables due to clients	**0.8**	(0.1)
Increase (decrease) in other payables	**10.4**	(8.8)
Increase (decrease) in Service suppliers	**12.5**	(4.3)
	25.6	(13.1)
Cash generated from operating activities	**546.6**	170.1

Note 26 – Subsequent events

In January 2021 the Company received from the ITA approximately a $30.0 million rebate (including interest) reflecting the reduced tax rate for 2017. This amount is not reflected in the consolidated financial statements for the period ended 31 December 2020.

On 17 February 2021 the Company declared a final dividend in an amount of $55.6 million ($0.5422 per share). The dividend is due to be paid to the shareholders on 12 July 2021.

On 17 February 2021 the Company declared a special dividend in an amount of $29.4 million ($0.2870 per share). The dividend is due to be paid to the shareholders on 12 July 2021.

On 17 February 2021, the Board of Directors has resolved in principle to conduct a new share buyback programme to buy back an amount of up to $25.0 million of the Company's ordinary shares.

During the year 2021 up to the signing date of the consolidated financial statements for the year ended 31 December 2020, the Company has continued to purchase its own shares under the share buyback programme. See note 12.

Further information

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