Pillar 3 Disclosures

For the period ended March 31, 2021

Contents.

1. Introduction.

1.1 About this document and its background

This is our Pillar 3 annual report. Admittedly, it's not a light read. But transparency is at the heart of everything we do, so we want to make it clear we're not hiding anything behind the dense language and jargon. We've gone to great lengths to make sure that everything you might need to know about our financial health, risk management, and salaries is in the following pages. It's all there.

This document provides Pillar 3 disclosures on the consolidated basis of Transferwise Limited (Wise Consolidation Group) and reflects Wise Consolidation Group's situation as of 31 March 2021. TransferWise Limited is the parent entity of the Wise Consolidation Group, an FCA Authorised E-Money Institution with registration number (FRN 900507)

TINV (a wholly owned subsidiary of Transferwise Ltd) received FCA authorisation to carry out investment services (under Part IV of the FSMA) on 25 February 2020. As a result, the Wise Consolidation Group was created and would produce its capital adequacy under a Limited License Investment firm category. This is the highest prudential category of the UK entities in the Wise Consolidation Group

The annual disclosures made by Wise Consolidation Group, on a consolidated basis, are designed to comply with the requirements of the UK Capital Requirement Regulation (CRR). Additional disclosures are made in accordance with supervisory expectations regarding future disclosures and to aid understanding of the activities of Wise Consolidation Group.

This document gives details of the governance structure, risk management policy, own funds and capital requirements, and remuneration policy of Wise Consolidation Group. The document has not been independently verified and should not be relied upon in making any judgements in respect of the financial position of the Wise Consolidation Group.

The most recent audited financial statements of Wise Consolidation Group are as at 31 March 2021. These can be accessed at https://wise.com/owners/.

1.2 Regulatory Context

Capital Requirements Directive IV (CRD IV) sets out the framework governing the amount and nature of capital that credit institutions and investment firms must maintain. The directive is directly binding on firms in the UK. The applicable resulting regulations are:

- The UK Capital Requirements Regulation – ("CRR")
- The FCA Prudential sourcebook for investment firms – ("IFPRU")

The framework is based on three pillars - Pillar 1 (Minimum capital requirements), Pillar 2 (Supervisory review process) and Pillar 3 (Market discipline).

- Pillar 1: The minimum capital requirement defines the rules for the determination of minimum capital requirement relating to credit risk, market risk and fixed overhead requirements (as is the case for Wise as an investment firm with limited license)
- Pillar 2: The supervisory review process requires firms to undertake an internal capital adequacy assessment process for risks not included in Pillar 1
- Pillar 3: The market discipline requires individual firms to disclose key information which allows investors and other market participants to understand their risk profiles.

1.3 Basis of preparation and frequency of disclosure

- **Article 431(1) CRR** - Pillar 3 Disclosure Concept
  Wise Consolidation Group's Pillar 3 disclosure is in line with the disclosure requirements as stated in Part Eight of the "Regulation (EU) no 575/2013 on prudential requirements for credit institutions and investment firms" (CRR), including most recent amendments. Disclosures provided in this Pillar 3 report must be read in conjunction with the most recent Wise Consolidation Group annual report that is produced under IFRS.
- **Article 431 (2) CRR** - Permission Granted by Regulators for use of particular instruments or methodologies
  Wise Consolidation Group does not apply any of the methodologies stated in Title III Part Eight of the CRR.

- **Article 431 (3) CRR** - Disclosure Policy
  Responsibilities for disclosures are principally owned by the CFO with material input from the Finance teams. Overall, Wise believes that its disclosures presented throughout this Pillar 3 report (when read in conjunction with the most recent annual report), appropriately detail the overall risk profile of the Wise Consolidation Group and have been reviewed and approved by the board.
- **Article 431 (4) CRR** - Explanation of Rating Decisions
  This article expects firms, if requested, to explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. Wise Consolidation Group is not a banking group and is not in the business of giving loans. To this end, this article does not impact Wise Consolidation Group.

1.4 Company Structure & Business activities

As of 31 March 2021, TransferWise Ltd (Wise Consolidation Group) is the ultimate holding company and is subject to consolidated supervision by the FCA in the UK due to the investment license held by TINV, a wholly owned subsidiary of TransferWise Ltd.

The accounting consolidation for the annual financial statements includes all the entities of the Wise Consolidation Group and is done under IFRS. The table below provides a list of the Wise Consolidation Group entities and their respective jurisdictions and regulators when applicable:

Entity Name	Country	Regulator
Transferwise Australia Pty Ltd	Australia	Australian Prudential Regulation Authority (APRA) Australian Securities and Investments Commission (ASIC)/ Australian Transaction Reports and Analysis Centre (AUSTRAC)
TransferWise Europe SA/NV	Belgium	National Bank of Belgium (NBB)
TransferWise Brasil Corretora de Cambio Ltda.	Brazil	Central Bank of Brazil (BCB)
TransferWise Brasil Correspondente Cambial e Pagamentos Ltd.	Brazil	Not regulated
TransferWise Canada Inc.	Canada	Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) Autorité des marchés financiers (AMF)
TransferWise SpA	Chile	Chilean Financial Intelligence Unit (UAF)
TransferWise Hong Kong Ltd	Hong Kong	Not yet licensed - Hong Kong Monetary Authority (HKMA)
TransferWise India Private Limited	India	Not yet licensed - Reserve Bank of India (RBI)
PT. TransferWise International Indonesia	Indonesia	Not yet licensed - Financial Services Authority (OJK)
TransferWise Borderless Ltd	Israel	The Capital Market, Insurance and Savings Authority (CMISA)
TransferWise Japan Kabushiki Kaisha	Japan	Financial Services Agency (FSA) / Kanto Local Financial Bureau (KLFB)
TransferWise Malaysia Sdn. Bhd.	Malaysia	Bank Negara Malaysia (BNM)/Central Bank of Malaysia
TransferWise México SA de CV	Mexico	National Banking and Securities Commission (CNBV)
TransferWise Singapore Pte. Ltd	Singapore	Monetary Authority of Singapore (MAS)
TransferWise Switzerland AG	Switzerland	Financial Market Supervisory Authority (FINMA)
TransferWise Ltd	United Kingdom	Financial Conduct Authority (FCA)
TINV Ltd	United Kingdom	Financial Conduct Authority (FCA)
TransferWise Nuqud LTD	United Arab Emirates	Abu Dhabi Global Market Financial Services Regulatory Authority (FSRA)
TransferWise Inc.	USA	Financial Crimes Enforcement Network (FinCEN) Consumer Financial Protection Bureau (CFPB) State by State money transmitter regulators

1.5 Materiality

In line with Wise Consolidation Group's disclosure process, there may be some cases where the Group omits certain disclosures due to immateriality, the information being proprietary or confidential information. In cases where this information is omitted, a dedicated and planned process is followed in accordance with the terms of reference of the disclosure committee.

1.6 Location and verification

This report provides the Pillar 3 disclosures as required by the Capital Requirements Regulation related articles. Disclosures are provided annually however may be published more frequently should there be significant changes in the Group's risk profile and activities.

For full disclosure, this document should be read in conjunction with the Wise Consolidation Group annual report. The Wise Consolidation Group Pillar 3 report is published on the company's website at https://wise.com/owners/.

2. Governance structure

2.1 Board Structure & Committees

The following table lists the names and positions of the Directors as at 31 March 2021.

Name	Position
Kristo Käärmann	Chief Executive Officer
Matthew Briers*	Chief Financial Officer
David Wells	Senior Independent Non-Executive Director
Clare Gilmartin*	Independent Non-Executive Director
Taavet Hinrikus	Executive Chairman
Roger Ehrenberg	Non-Executive Director
Alastair Michael Rampell	Non-Executive Director
Hooi Ling Tan*	Independent Non-Executive Director
Ingo Uytdehaage	Independent Non-Executive Director

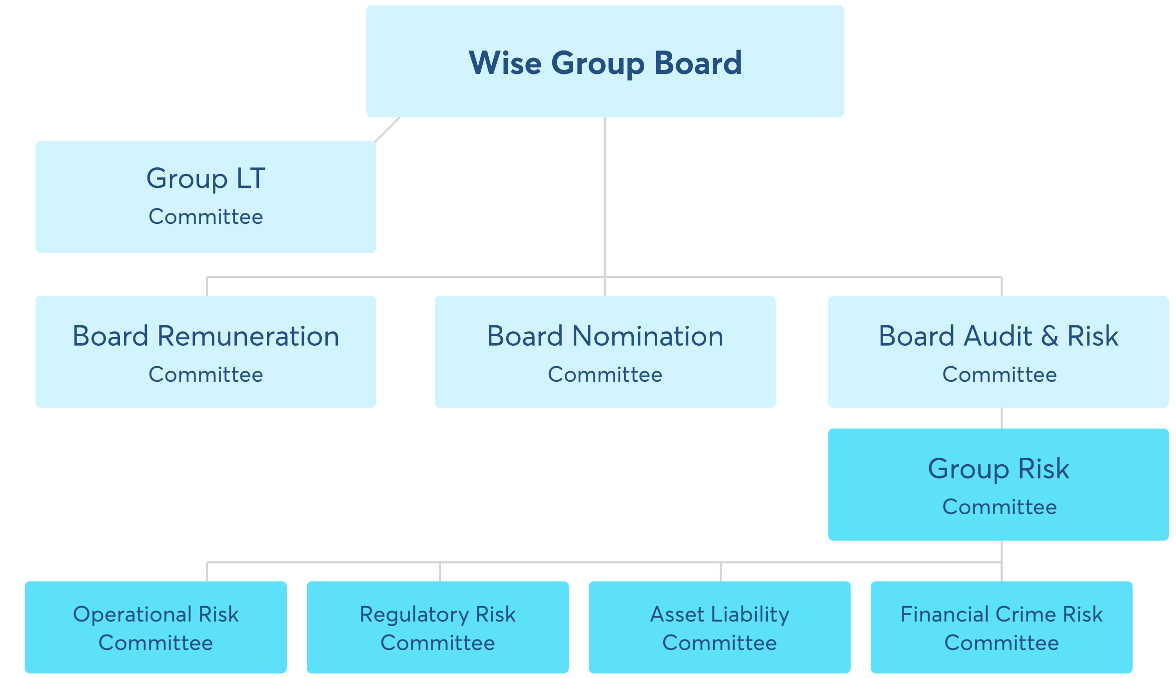
*Director designate

Executive Management Team

The Wise Consolidation Group operates a functional management structure with key roles and responsibilities reporting to the CEO. Each area of responsibility reports to the CEO except for the General Counsel, Risk Management and Internal Audit which report to the CFO, and all three of these have joint reporting into the Board for independence purposes.

Corporate governance

The Board is committed to high standards of corporate governance and, as such, has established an audit and risk committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.



Wise Consolidation Group as at 31 March 2021

2.2 Risk Governance Structure

Appropriate governance of risks provides assurance to the Board that risks are being identified across the business and managed adequately.

All teams at Wise Consolidation Group manage risks by following the Three Lines of Defence (3LoD) model. This is done by second line oversight of operational management as defined by the Board, with independent assurance provided by Internal Audit as defined by the Board Audit & Risk Committee. Effective implementation of the 3LoD ensures that there are appropriate controls in place which safeguard against material business risks and breaches in legal, regulatory and compliance requirements.

2.3 Governance Hierarchy

In order to embed the 3LoD model at Wise, the company has in place a governance hierarchy which promotes a top-down and bottom-up approach to the flow of risk control oversight and management.

Ownership is an essential element in our governance, and as such, we have dedicated roles and responsibilities for the Risk Management process. Key individuals across the business own a specific role in implementing this. They are responsible for the effective identification, assessment, mitigation and regular review of the risks in their business area.

3. Risk Management

3.1 Risk management objectives

The high level objectives of our Risk management program are set out below:

1. Establish and maintain group risk appetite statements, in line with our mission. The risk appetite statements indicate the nature, type and desired level of risk that Wise is willing to accept.
2. Establish risk management practices and processes by providing a clear and easy to use toolkit and process to identify, assess, manage and report on risks and ensure the completion of an annual company wide risk assessment.
3. Establish appropriate policies and procedures to ensure risk management practices are implemented.
4. Ensure governance and oversight of risk management by establishing a risk reporting committee structure in order to:
    - Provide reporting to the Group Risk Committee and Board Audit & Risk Committee around the key risks identified in an annual risk assessment including reporting against risk appetite
    - Ensure 1st line of defence teams understand their roles and responsibilities in risk management as well as have plans to address any weaknesses in controls on key risks, and support the teams as needed.

3.2 Risk Strategy

The Group Risk Management team defines the overall Risk Management Strategy (RMS), which is the set of objectives (and related plan) through which we achieve our vision for risk management, and is an integral part of the Group Enterprise Risk Management Framework (ERMF).

The purpose of a Risk Strategy is to aid the business to actively and effectively manage its risks. The strategy specifies a target state for risk management and a plan to realise / maintain this target state.

3.3 Risk appetite statement

The Group ERMF contains the Risk Appetite Statement, which describes the nature and level of risks that Wise is willing to take in pursuit of its strategic and business objectives, while ensuring it operates in a safe and sound manner.

A list of relevant risk indicators, assessment methodology and the level of internal tolerance and targets are defined annually in the form of the Risk Appetite Statement that is an integral part of the Group ERMF.

Wise's Risk Appetite Statement is subject to annual approval by the Board Audit & Risk Committee, post challenge and acceptance by the Group Risk Committee. It is owned and monitored by the Group Risk Management team with the results presented on at least a quarterly basis to the Group Risk Committee, and on a quarterly basis to the Board Audit & Risk Committee.

3.4 Risk policies, identification and assessment

As part of the Group ERMF, we have established policies and procedures which are clearly and consistently formulated, documented, communicated to teams and include their roles, responsibilities and formal reporting structures for the management of any given material risk in the company.

Ultimately the Board is in place to consider and approve all policies reviewed and recommended by the Group Risk Management Committee via Board Audit and Risk Committee. All policies are collated and stored in a single repository, owned by the Group Risk Team. Policies are reviewed at least annually with the team.

3.5 Risk reporting

Reporting of the performance against the risk appetite follows a defined structure and reporting is presented to the governance forums - Board Audit & Risk Committee (as often as deemed necessary but at least twice a year), Group Risk Management Committee (once per quarter as a minimum), sub risk committees (monthly as a minimum).

3.6 Board Declaration

The Wise Consolidation Group Board is the ultimate governing body responsible for the ERMF and overall risk oversight, including resource, culture and capability. The Board is fully accountable for the approval of the risk appetite statements and risk management strategy and considers the current risk management arrangements to be adequate.

3.7 Risk Profile

Aligned with the principles of conscious risk taking, there are a number of risks we face in the course of achieving our mission:

Financial Risk
Financial risk is the possibility of losses on an investment or business transaction and includes the main risk subtypes; market, credit, liquidity and prudential risk.

Operational Risk
Operational risk is the loss resulting from inadequate or failed internal processes and systems, or losses due to actions performed by employees or external events.

Regulatory & Compliance Risk
Regulatory and Compliance risks are risks occurring from failing to fulfil applicable compliance regulations in full and Wise is exposed to these risks in its many markets of operations. The responsibilities for these risks rest with the Compliance Department.

Strategy Risk
Strategy Risk is the risk of unexpected deviations in income and selected cost items from the planned volumes.This is related to uncertainty that Wise will be able to execute on its business plan and generate stable/planned revenues and/or control its cost base.

4. Own Funds

4.1 Capital resources

For regulatory capital purposes, a company's total capital resources has the following components:

- Common Equity Tier 1 capital (CET1), which is comprised of common shareholders' equity, after deducting disallowed items and other adjustments;
- Tier 1 capital, which is comprised of CET1 capital and other qualifying capital instruments; and
- Tier 2 capital, which consists of long term qualifying subordinated debt and preferred shares.

Regulatory capital is determined in accordance with the requirements of the CRR. Certain components of our regulatory capital are subject to regulatory limits and restrictions under these rules. In general, to qualify as Tier 1 or Tier 2 capital, an instrument must be fully paid up and unsecured. A qualifying Tier 1 or Tier 2 capital instrument must also be subordinated to all senior indebtedness of the organisation. The Group's total capital is almost entirely made of CET1 capital i.e. the most robust category of financial resources against which all requirements can be measured.

As of 31 March 2021, the Group's total capital was £ 285.3m before deductions and £ 170.2m after regulatory deductions. The regulatory capital is calculated in accordance with Part Two of the CRR and the table below provides a summary of the Group's own funds and regulatory deductions as of 31 March 2021:

£ in millions	FY 2021
Share capital and share premium	0
Share-based payment reserves	124.5
Retained earnings	159.4
CET1 Capital before regulatory deductions	**283.9**
Regulatory Deductions	
Intangible assets	(27.5)
Deferred tax assets	(56.7)
Current year PnL	(30.9)
CET1 capital after regulatory deductions	**168.8**
Share capital and share premium	1.4
Tier 2 capital	**1.4**
Total Capital Resources	**170.2**

Within the above, the ordinary share capital and share premium is made up of 16.7m ordinary shares of £0.00001 each, whereas the preferred share capital would not be eligible for CET1 and would be considered Tier 2 capital. There is no current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

Intangible assets mainly relate to internal software development costs that are capitalised when they meet certain criteria under IFRS. Intangibles do not qualify as capital for Tier 1 purposes and are therefore directly deducted from CET1 capital.

Deferred tax assets are also deducted only when they rely on future profitability, in accordance with article 36 of the CRR.

As at 31st March 2021, the current year PnL had not been verified and is therefore excluded from the Capital Resources.

The Group has complied with the capital requirements set out by the CRR/IFPRU. The Table below provides a reconciliation of the Own funds to the audited financial statements:

£ in millions	FY 2021
Own funds from financials statements FY 20	196.8
Increase in eligible capital during FY 21	88.5
Regulatory deductions	
Deferred tax assets	(56.7)
Intangibles	(27.5)
FY21 unaudited profit	(30.9)
Total Capital Ressources	**170.2**
Total Risk Weighted Assets	**851.1**
CET1 ratio	**19.8%**
Total Capital ratio	**20.0%**

None of the Group's assets were considered as encumbered as of 31 March 2021 and as such the Group has not disclosed any requirement attached to asset encumbrance.

5. Capital Requirements

5.1 Background

The Wise Consolidation Group consolidated regulatory capital requirement has been calculated in accordance with the UK Capital Requirements Directive (CRD) and the UK Capital Requirements Regulation (CRR).

The Group is required to meet further requirements of the Directive under Pillar II and assess the cost of following a plan that allows an orderly run-off following the decision to wind up the business, however, Pillar II capital requirements are outside the scope of this disclosure document. All RWAs and capital ratios are based on current interpretation, expectations and understanding of the rules and may evolve as the interpretation and application is discussed with our regulators.

As of 31 March 2021, all of the Group's regulated subsidiaries had capital levels in excess of their minimum regulatory capital requirements.

5.2 Capital ratios

The Group is required to meet the general own funds requirement under Pillar 1 in accordance with Article 92 of the CRR. Institutions shall, at all times, satisfy the following own funds requirements:

a. Common Equity Tier 1 (CET1) capital ratio of 4.5%

b. Tier 1 capital ratio of 6%

c. Total capital ratio of 8%

CRD IV requires these ratios to be calculated using the eligible regulatory capital divided by the total risk weighted assets, which are the Pillar I requirements. As of 31 March 2021, the CET1 ratio was 19.8%.

5.3 Pillar 1 Capital requirement

In order to calculate its minimum capital requirement according to Article 97 of the CRR, the Group is comparing:

1. the overall capital requirement calculation for credit and market risk
2. a quarter of its overall fixed overheads from the previous year
3. the initial capital requirement

The highest will be deemed as being the Pillar 1 capital requirement for the Group.

The Group complies with all its externally imposed capital requirements and the Group's objective is to manage its capital efficiently to sustain current and future regulatory obligations, maintain its current and future business activities in line with its existing risk appetite and stressed scenarios.

The table below provides the Pillar 1 capital requirement calculation at the consolidated level as of 31 March 2021:

£ in millions	Minimum capital requirements	Risk Weighted Assets
Credit risk	63.6	794.7
Market risk	4.5	56.5
Fixed Overheads requirement	50.0	625.1
Pillar 1 requirement (Credit + Market risk)	**68.1**	**851.1**
Total Eligible capital	**170.2**	
Excess of Eligible capital over Pillar 1	**102.1**	
Surplus buffer	**149.9%**	

5.4 Credit risk

Wise Consolidation Group has opted for the standardised approach as described in Chapter 2 of the CRR to calculate its credit risk component, based on the external credit assessment institution ("ECAI") methodology where applicable. The main credit rating agencies that the Group is using to determine the relevant risk weights are Moody's and S&P, from which the Wise Consolidation Group is using the long term counterparty risk rating.

The main source of credit risk for the Group is arising from its payment and e-money services where the Group is required to safeguard customers deposits. 95% of Wise's total assets is made of cash and cash equivalent and short-term financial investments.

Residual credit risk within the Group is mainly arising from fixed assets and other trade receivables. The majority of these trade receivables represent balances due from payment processors and collateral deposits that the Group uses as part of its day to day operations.

The table below provides a breakdown of the Group total exposures by credit ratings as of 31 March 2021:

£ in millions	Exposures at default
Aaa	270.7
Aa	3,015.0
A	785.4
Baa,Ba,B	103.4
No rating	106.7
Total Exposures	**4,281.2**

The table below represents a summary of the RWAs and capital requirements for Wise Consolidation Group as 31 March 2021 for its credit risk and split by type of exposures:

£ in millions	RWAs	Minimum capital requirements
Institution	701.2	56.1
Corporate	67.3	5.4
Retail	2.2	0.2
Other items	24.0	1.9
Total Credit risk	**794.7**	**63.6**

The Group applies an 8% factor to its risk weighted assets to compute the total capital requirement.

Most of the above RWAs lie with institutions, mainly credit institutions and reflect the large portion of cash at banks that Wise Consolidation Group places as part of its safeguarding requirements.

5.5 Market risk

Wise Consolidation Group does not have any positions that are classified under a trading book as the Group does not offer trading services or aim to gain from market moves in short-term investments.

Therefore, the Group's Pillar 1 market risk requirement arises from foreign exchange risk. Foreign exchange risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. As part of its daily operations and because of the global nature of its business, Wise Consolidation Group generates foreign exchange exposure for which capital requirement has been calculated using the approach described in article 352 of the CRR

The table below presents the foreign exchange exposure used to compute the market risk as 31 March 2021:

£ in millions	Currency exposure
Net FX exposure (ex GBP)	(1.2)
Sum of long position	55.2
Sum of short position	(56.5)
RWA (max long and short)	**56.5**
Capital requirement	**4.5**

5.6 Operational risk

Given that Wise Consolidation Group only owns a Limited Licence, the Group is not required to hold capital for operational risk as part of its Pillar I capital requirement and has not done so, in accordance with IFPRU section 5.1.1.

Operational risk has been extensively reviewed, assessed and stress-tested as part of the Group's Pillar 2 assessment and an additional amount of capital requirement has been calculated as part of this exercise.

5.7 Interest rate risk in the banking book

Overall, Wise Consolidation Group's exposure to IRRBB is very limited and this risk is deemed to only have a limited economic impact for the group and would not result in any capital shortfall and therefore does not give rise to any additional capital requirement.

6. Remuneration

Our approach to remuneration is designed to attract, retain, and motivate world-class talent in order to support our mission and ensure the long-term, sustainable success of Wise.

Our remuneration philosophy is designed to be fair and transparent to all Wisers who each receive a total remuneration package comprising market-competitive salary, benefits, pension, and equity. Equity participation ensures that all Wisers have a stake in Wise's success, and are aligned with shareholders, customers, and Wise's mission.

6.1 Remuneration Committee

Wise has established a Remuneration Committee, as a sub committee of the board, comprised of three independent Non-Executive Directors:

- David Wells (Chair of Remuneration Committee)
- Ingo Uytdehaage (Chair of Audit and Risk Committees)
- Clare Gilmartin

The Remuneration Committee Chair has listed company Remuneration Committee experience.

The Remuneration Committee is a committee of the Wise Board and has responsibility for oversight of all remuneration matters including the design of remuneration policies and practices that support Wise's strategy, align with all relevant regulatory requirements, and promote long-term sustainable success, as per the Committee's Terms of Reference approved by the Wise Board.

The Remuneration Committee also determines the Group's approach to executive remuneration, approving appropriate levels of remuneration for Executive Directors, the Chair, the Company Secretary and members of the Company's senior management.

When preparing decisions, the Remuneration Committee takes into account risk and risk management, the long-term interests of shareholders, investors and other stakeholders in the firm and the public interest.

6.2 Remuneration Philosophy

Wise's remuneration philosophy outlines the structure of our remuneration arrangements globally, ensuring alignment with Wise's strategy and long-term sustainable success, as well as adhering to our guiding remuneration principles of transparency and fairness. The philosophy forms part of Wise's Risk Management Framework.

There are a number of Wisers who are responsible for Wise's remuneration philosophy:

- Wise's Head of Reward is the overall remuneration philosophy owner who manages the day-to-day implementation of the remuneration philosophy.
- The Wise Board approves the recommendations from the Remuneration Committee regarding the Wise's Remuneration Framework.
- Wise's Remuneration Committee sets the remuneration for all Executive Directors and any other individual employees identified as Code Staff, as well as the Chair of the Board. The Committee also oversees the system in place for remuneration for the wider company.
- Wise's Internal Audit and Risk functions provide independent second and third line of defence input into the development of Wise's remuneration philosophy, and the design and operation of all remuneration matters.

6.3 Pay & Performance

Wise's remuneration philosophy does not currently include any variable remuneration. Wise's approach of 100% of total remuneration being made up of fixed pay elements enables a long-term view focused on sustainability which we believe reduces high-risk, short-term decision making by employees.

6.4 Aggregate quantitative information on remuneration

The following remuneration components were awarded in the year ended 31 March 2021 and are included in the below information:

- Base Salary
- Other allowances (including non-pensionable supplements);
- Fixed remuneration delivered in equity;
- Pension Contributions (or cash in lieu thereof);
- Severance payments
- Other Benefits

Aggregate Remuneration

	Senior Management Function holders (SMFs)	Count	Other Material Risk Takers (MRTs)	Count	Total	Count
Wise Consolidation Group	**2,052.4**	**2**	**4,868.1**	**10**	**6,920.5**	**12**

Information in relation to the aggregate remuneration of all Wise employees can be found in the Annual Report for Year Ended 31 March 2021.

TransferWise Ltd

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