PILLAR III DISCLOSURE REPORT

YEAR ENDED 31 DECEMBER 2021

JULY 2022

Contents

1. INTRODUCTION

1.1 CIF Information

SINARA Financial Corporation (Europe) Ltd (former Think Wealth Ltd) was incorporated in the Republic of Cyprus on 08 August 2016 as a private limited liability company with registration number HE333287 and it is a Cyprus Investment Firm. SINARA Financial Corporation (Europe) Ltd (the 'Company') is authorised by the Cyprus Security Exchange Commission (the 'CySEC') under License 305/16 to provide the following investment and ancillary services:

Investment Services

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders on behalf of clients;
- Portfolio management;
- Provision of investment advice.

Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services;
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- Foreign exchange services where these are connected to the provision of investment services;
- Investment research and financial analysis or other forms;
- Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services.

The Company is licensed to provide «Dealing on own account», «Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis» and «Placing of financial instruments without a firm commitment basis» and the ancillary service «Services related to underwriting».

The Company is categorised as a 'Class 2 Firm' and supervised for compliance with prudential requirements under Directive (EU) 2019/2034 in relation to the following:

a) own funds requirements relating to quantifiable, uniform and standardised elements of risk-to-firm, risk-to-client and risk-to-market;
b) requirements limiting concentration risk;
c) liquidity requirements relating to quantifiable, uniform and standardised elements of liquidity risk;
d) reporting requirements related to points (a), (b) and (c);
e) public disclosure requirements.

1.2 **Scope of Application**

The Pillar III disclosure Report (the 'Report') has been prepared on an individual (solo) basis in accordance with requirements as laid out in Part Six of the Regulation (EU) 2019-2033 (the 'IFR') and discloses the information on the same date as the Company publishes its annual financial statements for the year ended 31.12.2021.

The Report is published on the Company's websites: https://cy.sinara-finance.com.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1 **Risk Strategies and Processes**

The risk management, as an integral part of the Company's corporate governance, aims:

- to help the Company achieve its targets and ensure its financial stability;
- to minimize possible financial losses for the Company or its clients;
- to ensure capital adequacy to cover material risks;
- to comply with regulatory requirements;
- to keep the Directors fully informed about the risks relating to the Company's activities.

The Risk Management Department (the 'RMD') is responsible for the establishing, implementing, maintaining the risk management function. RMD is a separate independent unit. The Head of RMD reports to the Risk & Compliance Director (acting on behalf of the Board) and the Board directly.

According to the Company's Risk Management Policy, the risk management function encompasses the following processes:

a) risk identification and assessment;

b) definition of Risk Appetite and ICAAP;

c) establishing risk limits and measures;

d) monitoring and control of risks;

e) risk reporting.

The risk identification recognizes fully the economic substance of all risk exposures including the risks the Company poses to *itself* and its *customers*. It takes both *regulatory* and *economic* perspectives into account. All risks identified as material are addressed in all parts of the Risk Appetite and Internal Capital Adequacy Assessment Process (the 'ICAAP').

The Company must have the available capital, which is at all times more than or equal to the capital needed to cover all the material risks on an ongoing basis.

To be consistent with the Company's business strategy and Risk Appetite, the ICAAP has been developed as an integral part of material business decisions, new product or risk limit approvals, and risk monitoring.

A risk management procedure is established for every material risk including risk category set out in Parts Three, Four and Five of the IFR. The RMD on a regular basis provides its assessment of the risk and capital adequacy of the Company, supported by stress-test results and any other relevant information.

Risk limits are set to ensure that exposures are consistent with the Company's Risk Appetite and capital adequacy. The Company has set up an IT system to monitor and control their exposures to market and credit risks.

According to the business model, the Company has no appetite to unhedged foreign-exchange and interest rate risks. To hedge those risks, we use vanilla derivatives (foreign exchange forwards, swaps and options as well as interest rate swaps). The risk limit structure and risk reporting are tailored to capture the hedging effect. RMD performs the assessment of effectiveness of the hedging on regular basis.

Exposures to other material risks (equity, counterparty and credit spread risks) are restricted by limits set up in line with the Company's Risk Appetite and ICAAP. The Company hedges these risks on a case-by-case basis.

The risk management system put in place is adequate with regard to the Company's size, internal organisation and the nature, scope and complexity of its activities.

2.2 **Risk Profile**

During the year 2021, the Company concentrated their efforts on developing infrastructure for commencement the business activity. As of 31 December 2021, the Company has no material exposure to risks set out by the IFR. The own funds and client's funds are placed with credit institutions and considered as liquid assets.

Table 1: Risk Appetite

Indicator	Risk	Yellow Line	Red Line
Stressed Counterparty Risk	**1,8m€**	4,5m€	5,0m€
Stressed Market Risk	**0,0m€**	4,5m€	5,0m€
Stressed Client Exposure Risk	**0,0m€**	4,5m€	5,0m€

Even though the global economy has recorded growth in the latest year after overcoming the latest economic recession, the overall future economic outlook and market perspective remain unstable due to the significant geopolitical tensions. The Company is monitoring these risks and assessing the impact on its business model.

The Board of Directors confirms that the Company has implemented the most critical elements of the risk management framework with due respect of the Company's size, internal organisation and the nature, scope and complexity of its activities. The Board of Directors has been notified of the findings need to be addressed and considered for further actions for development and implementation.

3. GOVERNANCE

3.1 **Board of Directors**

The Company's Board of Directors:

- has the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk prevention strategy and internal governance;
- ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevantstandards;
- oversees the process of disclosure and announcements;
- is responsible for providing effective supervision of senior management.

The members of the Board of Directors shall at all times be of good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board of Directors shall reflect an adequately broad range of experiences and shall collectively possess adequate knowledge, skills and experience to be able to understand the Firm's activities, including the principal risks. The functions of the Board of Directors shall be based on the principle of the collective responsibility.

The Company understands the benefits of a diverse Board of Directors when its members have different backgrounds in terms of educational and professional experience, gender, age, and geographical provenance. While the Company board composition achieves these objectives, the Company aims to further enhance the diversity of its Board of Director with the appointment of an additional two non-executive directors in the coming months.

The table below provides the number of directorships held by members of the Board of Directors at the same time. It shall be noted that, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profitmaking or charitable organizations, are not taken into account for the purposes of the below.

Table 2: Number of Directorships of the members of the Board of Directors

Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Dr. Roman Lokhov	Non-Executive Director, Chairman of the Board	2	1
Mr. Christodoulos Christodoulou	Non-Executive Director	3	3
Ms. I. Khrabrova	Executive Director, Managing Director	2	0
Mr. Charalambos Charalambous	Executive Director, Risk & Compliance Director	1	0
Vacancy	Non-Executive Director	-	-
Vacancy	Non-Executive Director	-	-

3.2 Recruitment Policy

Members of the Board of Directors are the persons who effectively direct the business of the Company. They need to be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

According to the Company's recruitment policy, the overall composition of the Board of Directors needs to reflect an adequately broad range of experiences. The Board of Directors shall collectively possess adequate knowledge, skills and experience to be able to understand the Company's activities and principal risks. The majority of the Directors shall be Non-Executive Directors. The majority of the Directors shall be citizens of the Republic. At least two members of the management of the Company need to be classed as directors.

During 2021, the Company has implemented the most of requirements mentioned above.

3.3 Risk Committee

To support the risk function, the Company shall set up two separate risk committees.

Risk Committee – A

The Directors have delegated responsibility for independent oversight of the Company's risk management to the Risk Committee – A. The risk function shall maintain their independence through their direct reporting line to the Committee.

The Committee shall have at least three (3) members and at least one member shall have recent and relevant experience, ideally with a professional qualification from one of the professional bodies or be a risk management practitioner. The members of the Committee shall be appointed by the Board out of Non-Executive Directors.

Risk Committee – B

The primary function of the Committee – B shall be to assist the Executive Directors with analysing exposure to risks arising from trading and non-trading activities and determining how to best handle such exposure. The Committee's role shall be one of oversight, recognising that management is responsible for executing the Company's risk management policies.

The Risk Committee – B has started working in January 2022.

4. OWN FUNDS

The Company is required to hold sufficient own funds in accordance with the provisions of the IFR.

The Company's total capital resources as of 31 December 2021 are shown in the table below. The Company's Capital Resources consist of Tier 1 Capital only.

Table 3: Own Funds Composition

Item	€'000
OWN FUNDS	**9,871**
TIER 1 CAPITAL	**9,871**
COMMON EQUITY TIER 1 CAPITAL	**9,871**
Fully paid up capital instruments	13,130
Share premium	538
Retained earnings	-544

(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-3,190
(-) Losses for the current financial year	-2,273
(-) Other intangible assets	-917
CET1: Other capital elements, deductions and adjustments	-63
ADDITIONAL TIER 1 CAPITAL	**0**
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0
TIER 2 CAPITAL	**0**
(-) TOTAL DEDUCTIONS FROM TIER 2	0

The detailed Own Funds Composition according to EU IF CC1.01 is presented in Appendix 1.

5. Own Funds Requirements

5.1 Regulatory Capital

The regulatory capital adequacy is assessed according to the own funds requirements set out in the IFR. According to Article 9 of the IFR, the Company shall at all times satisfy the following own funds requirements:

CET 1 Ratio	56%
Tier 1 Ratio	75%
Total Own Funds Ratio	100%

The Company's own fund requirements as of 31 December 2021 are shown in the table below.

Table 4: Own Funds Requirements

CET 1 Ratio	**484%**
Tier 1 Ratio	**484%**
Total Own Funds Ratio	**484%**

	€'000
Permanent minimum capital requirement	750
Fixed overhead requirement	2,040
Total K-Factor requirement	0
Total own funds requirement	**2,040**

Table 5: Fixed overhead requirement

	€'000
Annual Fixed Overhead of the previous year after distribution of profits	8,161
Total expenses of the previous year after distribution of profits	8,223
(-) Total deductions	-62
(-) Staff bonuses and other remunerations	-62
Fixed overhead requirement	**2,040**

K-Factor requirement

The K-factor requirement shall amount to at least the sum of Risk to Client, Risk to Market) and Risk to Firm.

Risk to Client (‘RtC’)

The K-factors under RtC capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH)

Since the Company has not commenced operations, the RtC factor is zero.

Risk to Market (‘RtM’)

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of Regulation (EU) No 575/2013 or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm’s clearing member (K-CMG).

The Company is authorized to provide the “dealing on own account” investment service, but since it has not commenced operations of the said investment service yet, the RtM factor is zero.

Risk to Firm (‘RtF’)

The K-factors under RtF capture an investment firm’s exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on Regulation (EU) No 575/2013, concentration risk in an investment firm’s large exposures to specific counterparties based on the provisions of that Regulation that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm’s daily trading flow (K-DTF)

Since the Company has not commenced operations, the RtF factor is zero.

5.2 **Economic Capital**

The Company has in place sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of economic (internal) capital that they consider adequate to cover the nature and level of risks which they may pose to others and to which the Company themselves is or might be exposed.

The RMD on a regular basis provides its assessment of the capital adequacy of the Company, supported by stress-test results and any other relevant information, by producing the capital adequacy statement. The assessment shall be conducted once a year or more often, e.g. in case of any significant changes in the external environment and/or within the Group that may affect the risk level of the Company.

6. CONCENTRATION RISK

The Company as a CIF (Cyprus Investment Firm) is subject to the Large Exposures Regime (Concentration Risk), as part of the IFR. As a result, the Company takes active steps to limit its exposure to groups of connected counterparties. This is subject to regular forecasting and daily monitoring and reporting. Where excesses occur, capital is set aside and the CySEC are notified.

During the year 2021, the Company has had no excess of the Large Exposure Limit.

7. LIQUIDITY

According to the IFR, the Company shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead. The Company's liquidity requirements as of 31 December 2021 are shown in the table below.

Table 6: Liquidity Requirements

Item	€'000
Liquidity Requirement	680
Total liquid assets	13,692
Unencumbered short-term deposits	13,692

Furthermore, the Company has internal requirements in respect to market and funding liquidity risks. The requirements are monitored and controlled by means of sound administrative procedures and robust internal control mechanisms.

8. REMUNERATION POLICY AND PRACTICES

8.1 Remuneration System

The Remuneration Policy aims to ensure that the staff's compensation is sufficient to retain and attract individuals with appropriate skills and experience to help the Company achieve its targets. The Policy also aims to ensure that conflicts of interest are avoided, and that the remuneration awarded is such that it does not encourage risk-taking that exceeds the Company's approved risk appetite.

Accordingly, the operating standards and mechanisms which have been adopted ensure that the level of rewards provided to employees are directly linked to the desired behaviours and results set by the Board of Directors as well as the Company's documented policies and procedures.

The Company's Remuneration Policy takes into account national criteria on wage setting and makes a clear distinction between criteria for setting basic fixed remuneration and variable remuneration. Basic fixed remuneration primarily reflects relevant professional experience and organisational responsibility as set out in an employee's job description and as part of the terms of employment of each employee. Variable remuneration reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job as part of the terms of employment of each employee. It includes all forms of payments or benefits provided directly or indirectly by the Firm to relevant persons.

8.2 Remuneration Practices

Even though the Policy applies to all Company employees, the Company wishes to take a more specific risk approach by identifying and assigning higher emphasis and responsibility to persons who are client-facing staff, Senior Management, risk takers, individuals whose total remuneration takes them into the same remuneration level as the aforementioned categories, individuals who perform control duties as well as any other individuals whose professional activities have a significant impact on the Company's risk profile.

Performance appraisals are conducted on an annual basis. In order to perform performance appraisals, key objectives / goals are set for each employee at the beginning of each year. Performance is then assessed against these objectives / goals.

Both fixed and variable components are balanced with the fixed component representing a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy.

Variable remuneration can be reduced to zero, and shall not exceed 100% of the fixed component of the remuneration for each individual.

Variable remuneration paid in instruments will be in the form of promissory notes or other equivalent non-cash instrument issued by the Company.

When paying out any variable remuneration to the risk takers, the Company takes into consideration the following, in a manner and to the extent that is appropriate to the Company's size, internal organisation and nature, scope and complexity of activities:

- At least 40% of the variable remuneration is deferred over a period of three to five years;
- In case that variable remuneration is of a particular high amount, then at least 60% of the amount is deferred;
- At least 50% of any variable remuneration is paid out in instruments. This is applied to both the deferred and the non-deferred part of the variable remuneration component;
- Up to 100% of the total variable remuneration is subject to malus or clawback arrangements, which are set by the Company.

Being a significant institution, the Company has set the deferral period of the members of the Board and the Senior Management to be at least five years. Other identified staff who are not members of the Board or Senior Management, are subject to a deferral period of at least three years.

Malus or clawback arrangements are explicit ex post risk adjustment mechanisms where the Company itself adjusts remuneration of an identified staff member based on such mechanisms.

The tables below present the remuneration analysis by the Company's during the year 2021.

Table 7: Remuneration Analysis by Senior Management and Members of Staff

	Members of staff	Senior Management (Executive Directors)	Non-Executive Directors
Fixed Remuneration	187	324	8
Variable Remuneration	0	0	0
Total	187	324	8
Number of Beneficiaries	11	3	2

Table 8: Remuneration Analysis by Business Area

Business Aria	Remuneration, €'000
Business Departments	58
Control Functions	400
Operations	42
Finance and Accounting	19
Customer Support Department	0
IT Services	0
Administration	0
Total	**519**

The amounts of deferred remuneration, guaranteed variable remuneration awards, severance payments awarded in previous periods have not been paid out during the financial year.

Appendix 1: The Own Funds Composition (EU IF CC1.01)

		(a)	(b)
		Amounts, €'000	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	**9,871**	
2	TIER 1 CAPITAL	**9,871**	
3	COMMON EQUITY TIER 1 CAPITAL	**9,871**	
4	Fully paid up capital instruments	13,130	Note 11
5	Share premium	538	
6	Retained earnings	-544	
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Minority interest given recognition in CET1 capital	0	
10	Adjustments to CET1 due to prudential filters	0	
11	Other funds	0	
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-3,190	
13	(-) Own CET1 instruments	0	
14	(-) Direct holdings of CET1 instruments	0	
15	(-) Indirect holdings of CET1 instruments	0	
16	(-) Synthetic holdings of CET1 instruments		
17	(-) Losses for the current financial year	-2,273	Note 13
18	(-) Goodwill	0	
19	(-) Other intangible assets	-917	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0	

23	(-) CET1 instruments of financial sector entites where the institution does not have a significant investment	0	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	0	
25	(-)Defined benefit pension fund assets	0	
26	(-) Other deductions	0	
27	CET1: Other capital elements, deductions and adjustments	-63	
28	ADDITIONAL TIER 1 CAPITAL	**0**	
29	Fully paid up, directly issued capital instruments	0	
30	Share premium	0	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	**0**	
32	(-) Own AT1 instruments	0	
33	(-) Direct holdings of AT1 instruments	0	
34	(-) Indirect holdings of AT1 instruments	0	
35	(-) Synthetic holdings of AT1 instruments	0	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	0	
38	(-) Other deductions	0	
39	Additional Tier 1: Other capital elements, deductions and adjustments	0	
40	TIER 2 CAPITAL	**0**	
41	Fully paid up, directly issued capital instruments	0	
42	Share premium	0	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	**0**	
44	(-) Own T2 instruments	0	
45	(-) Direct holdings of T2 instruments	0	

46	(-) Indirect holdings of T2 instruments	0	
47	(-) Synthetic holdings of T2 instruments	0	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	0	
50	Tier 2: Other capital elements, deductions and adjustments	0	