Pillar 3 Disclosure.

For the year ended 31 December 2024.

Kroo Bank Ltd.

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Introduction.

Overview

The purpose of this document is to provide stakeholders with information on Kroo Bank Ltd's approach to risk management and maintenance of its capital strength. The document includes details of:

- Kroo's approach to risk management, its policies and objectives
- The governance structure of the Bank its Board and Board committees
- The Bank's own funds information (capital resources) and Regulatory capital requirements
- Compliance with the EU Capital Requirements Regulation

Coverage

This disclosure applies to Kroo Bank Ltd (company number 10359002 and FCA registration number 953772 - "the Bank") for the year ended 31 December 2024. Kroo Bank Ltd is a standalone legal entity and not part of any group structure. The information presented is based on the Bank's Annual Report and accounts as at 31 December 2024, though may differ where regulatory requirements differ from the statutory requirements underlying the Annual Report and Accounts.

Legislative Framework

Standards for capital and liquidity requirements for banks, building societies and related institutions are set out in the Capital Requirements Directive V ("CRD V") and the Capital Requirements Regulation ("CRR"). This legislation came into force on 1 January 2022, and references to CRR, as amended by CRR II, mean the regulatory requirements as they form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

In the UK, prudential supervision with regards to capital and liquidity adequacy is overseen by the Prudential Regulatory Authority ("PRA"), and CRD V is implemented in the PRA Rulebook.

CRR sets out capital requirements and also specifies what the Bank must disclose in regard to its risk management policies, procedures, and performance, including the main risks faced by the Bank and the governance of those risks. These disclosure requirements are usually referred to as "Pillar 3", being the third pillar of the three-pillar approach which is normally considered for prudential banking regulation.

The three pillars of the prudential framework are as follows:

- Pillar 1 defines minimum capital requirements for certain risks, including credit, market and operational risks. The minimum requirement is equal to 8% of Risk Weighted Assets ("RWAs") and the Bank uses the standardised approach to calculate credit risk RWAs. The Bank uses the Basic Indicator Approach ("BIA") to calculate operational risk RWAs. The Bank does not have a Pillar 1 requirement for market risk as it does not have a trading book and exposure to foreign exchange risk is de minimis (i.e. less than 2% of total regulatory capital).
- Pillar 2 sets out the supervisory review process. It considers whether any additional capital is required for risks either not covered or not adequately covered by Pillar 1. The Bank performs an internal assessment and specific stress tests to determine its Pillar 2 capital requirement and presents this assessment in its Internal Capital Adequacy Assessment Process ("ICAAP") which is reviewed by the PRA.
- Pillar 3 on market discipline specifies disclosure requirements, which allow market participants to assess key pieces of information on the Bank's capital, risk exposures and risk assessment process.

The Bank's Pillar 3 disclosures have been prepared in accordance with the CRR and CRD V, which came into force on 1 January 2022 and were implemented by the PRA via the PRA Rulebook. In particular, articles 431 to 455 of the CRR specify the requirements of the Pillar 3 framework. The CRR, as amended by CRR II, sets out the capital regulatory requirements and forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended.

Review

This document is reviewed annually by the Asset & Liability Committee ("ALCO") and the Management Committee. It is reviewed by the Board Audit Committee and the Board and approved by the Board following review and challenge. The approved document is published on Kroo's website (www.kroo.com) in conjunction with the Bank's Annual Report.

Attestation by Andrew Michaelides, Chief Financial Officer

I confirm that these disclosures meet the minimum requirements for Pillar 3 disclosures and have been prepared in line with our internal controls framework.

Governance and committees.

The Board

The Board is responsible for the overall governance of the Bank. The key objectives of the Board are to build and maintain a business that is profitable, sustainable, well-capitalised and has sufficient liquidity to meet its obligations, operates within an established framework of internal control and compliant with regulatory requirements.

The primary responsibilities of the Board include:

- Setting the Bank's strategy, taking into account the interests of its stakeholders;
- Ensuring that the business has an effective system of internal control and management of business risks and is conducted in accordance with the Principles for Business set by the FCA and Fundamental Rules set by the PRA;
- Monitoring financial information and reviewing the overall financial condition of the Bank and its position as a going concern;
- Reviewing major developments in business lines and support units;
- Reviewing the priorities for allocating capital and operating resources;
- Monitoring of compliance and reputational issues;
- Reviewing the market, credit and liquidity risks and exposures with additional oversight and control over credit risk management;
- Reviewing the application of stress tests and appropriateness of the Bank's stress testing Policy.

To assist the Board in discharging and overseeing its responsibilities, it has delegated certain responsibilities to Senior Management and Board-appointed committees, for which Terms of Reference are in place.

The embedded risk governance approach ensures that Senior Management and the Board have full visibility of current risks and issues applicable to Kroo. The monthly Risk & Compliance Committee, chaired by the CRO and attended by cross functional business leads oversees the management of risk, compliance, data governance and control activities to ensure that any significant existing or emerging risks are owned and managed with a full understanding of the impact on Kroo's risk profile.

The Board Risk Committee meets bi-monthly to oversee the risk framework within Kroo and ensure that risks are managed in line with the Risk Framework and the Risk Appetite Statement. It receives reports setting out the risk profile in comparison to the risk appetite. Any monthly outlying metrics from the Risk Appetite Statement are escalated to the Management Committee and the Board within the timelines set out in the Risk Management Framework.

The Board considers that, as at 31 December 2024, it had in place adequate systems and controls regarding the Bank's risk profile and strategy.

Board composition

The Board of the Bank during the period 1 January to 7 July 2024 consisted of an Independent Chairman, four Non-Executive Directors ("NEDs") of whom three are Independent Non-Executive Directors ("INEDs") - and two Executive Directors. On 7 July 2024 the Chairman resigned and was replaced, for an interim period, by one of the INEDs, from which point the Board consisted of an Independent Chairman, three NEDs - of whom two are INEDs - and two executive directors.

Each member of the Board contributes to the mix of relevant skills, has specific individual duties and, as a component part of the group, collectively share responsibility for control and governance of the Bank. The Executive Directors are responsible for the day-to-day management of the Bank.

The process for recruiting members of the Board is designed to ensure that those appointed possess between them the requisite knowledge, skills and experience to effectively govern a bank. The process involves going to market (where possible) or using other recruitment methods and carrying out a rigorous assessment of how candidates would contribute to the bank's strategic goals, regulatory compliance and risk management.

Prospective members are evaluated on their ability to contribute to the bank's strategic goals, regulatory compliance, and risk management framework. This comprehensive approach ensures that the management body is well-equipped to oversee the bank's operations and promote its long-term success.

The process recognises the importance of diversity and aims to include individuals with varied backgrounds to enhance the collective decision-making capability of the board, in line with Kroo's diversity and inclusion policy.

The directors who served the Bank as at 31 December 2024 were as follows:

Committee structure

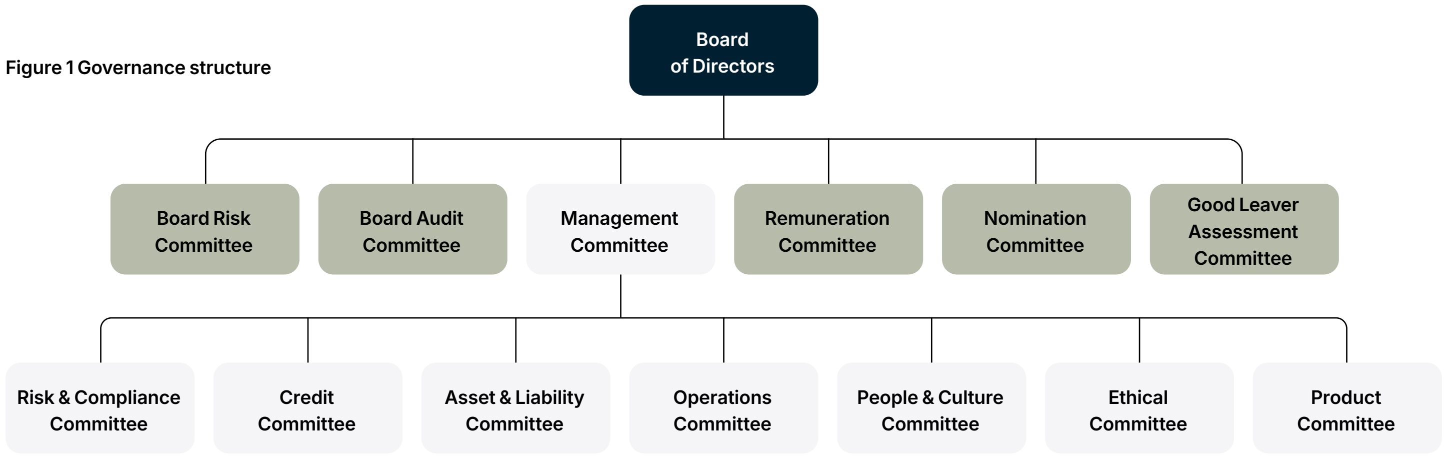
NAME	GENDER	INDEPENDENT/ EXECUTIVE	APPOINTMENT DATE	TOTAL NO OF DIRECTORSHIPS
Cameron Marr (Chairperson) (Resigned 7 July 2024)	M	Independent	9 July 2021	6
Christiaen Van Lanschot (Chairperson from 7 July 2024, resigned 4 July 2025)	M	Independent	12 August 2022	6
Andrea de Gottardo	M	Executive	21 April 2021	1
Serena Joseph (Acting Chairperson from 4 July 2025)	F	Independent	9 July 2021	3
Rudy Karsan (resigned 3 July 2025)	M	Non-executive*	6 August 2021	9
Penelope Kenny	F	Independent	12 July 2021	4
Colby Lamberson	M	Non-executive*	2 July 2025	2
Andrew Michaelides	M	Executive	7 April 2020	1

Table 1 - Board composition

*Shareholder representative

The Bank operates five Board level committees and eight executive level committees as shown in Figure 1.

Figure 1 Governance structure



The Board Risk Committee, the Board Audit Committee, the Remuneration Committee, the Nomination Committee, and the Good Leaver Assessment Committee are all sub-committees of the Board.

Board Risk Committee ("BRC")

The Board sets the risk appetite but has delegated to the BRC responsibility to advise the Board on Kroo's risk appetite, tolerance and strategy and assist the Board in its implementation including monitoring Kroo's actual risk profile against its risk appetite.

The BRC is also responsible for reviewing the effectiveness of the Risk Management Function; overseeing Kroos overall risk culture, promoting an open and collaborative attitude and approach towards risk management, and monitoring the effectiveness of Kroo's internal controls and internal risk management framework.

The BRC is chaired by an Independent Non-Executive Director and met nine times during 2024.

Board Audit Committee ("BAC")

The Board has delegated to the BAC responsibility to oversee financial reporting, to ensure appropriate actions are taken with regard to internal and external audit and to aid in managing relationships with relevant external parties including the external auditors.

The Internal Audit function, which is outsourced, reports directly to the Chair of the BAC under the terms of reference for the committee. The BAC approves the term of appointment of internal and external auditors and receives reports from the internal and external auditors. Both the internal and external auditors attend BAC meetings when required.

The BAC is chaired by an Independent Non-Executive Director and met six times during 2024.

Board Remuneration Committee ("RemCo")

At its meeting of 27 June 2024 the Board decided to split the functions of the Remuneration & Nomination Committee between a separate Remuneration Committee and Nomination Committee.

Before its functions were split, the Remuneration & Nomination Committee was chaired by an Independent Non-Executive Director and met four times during 2024.

RemCo is responsible for ensuring that Kroo's remuneration policies and practices remain aligned with Kroo's long-term business plans and continue to support and reinforce a healthy work culture.

RemCo is chaired by an Independent Non-Executive Director and met twice during 2024.

Board Nomination Committee ("NomCo")

NomCo carries out an annual review of the structure, size and composition of the Board (including its skills, knowledge, experience and diversity) and makes recommendations to the Board with regard to any changes. It formulates succession plans for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing Kroo, and the skills and expertise needed on the Board in the future.

NomCo is chaired by an Independent Non-Executive Director and met twice during 2024.

Good Leaver Assessment Committee

The Good Leaver Assessment Committee was established in April 2024. Its members are the two executive directors. The Board has delegated to this committee the determination of "good leaver" status of former employees who are not members of the Management Committee and who do not hold Senior Management Functions. Good leaver status is a factor in determining whether a former employee has a right to exercise any share options they have been granted. The Committee did not meet in 2024.

Executive Management Committees

The Board delegates responsibility for the day-to-day management of the business to the Management Committee. The Risk and Compliance Committee, Credit Committee, Asset & Liability Committee ("ALCO"), Operations Committee, People Committee and Product Committee are sub-committees of the Management Committee, and are chaired by members of the Senior Management Team, with each committee responsible for overseeing areas of the Bank's operations and/or the associated risks.

Risk management policies and objectives.

Introduction

A core objective for the Bank is the effective management of risk. The Bank faces a number of risks including credit, market, and operational risks, although it recognises that the range of risks that it faces is broad and ever changing. The Bank ensures that appropriate processes are in place to ensure that risks are properly identified, assessed, mitigated, monitored, and communicated.

Decision-making responsibility for risk management lies with the Board of Directors. This is cascaded down through the organisation by delegation of responsibility to the main committees and through individuals' documented responsibilities. The Board has ultimate responsibility for setting the Bank's strategy, risk appetite and control framework.

Risk Management Framework

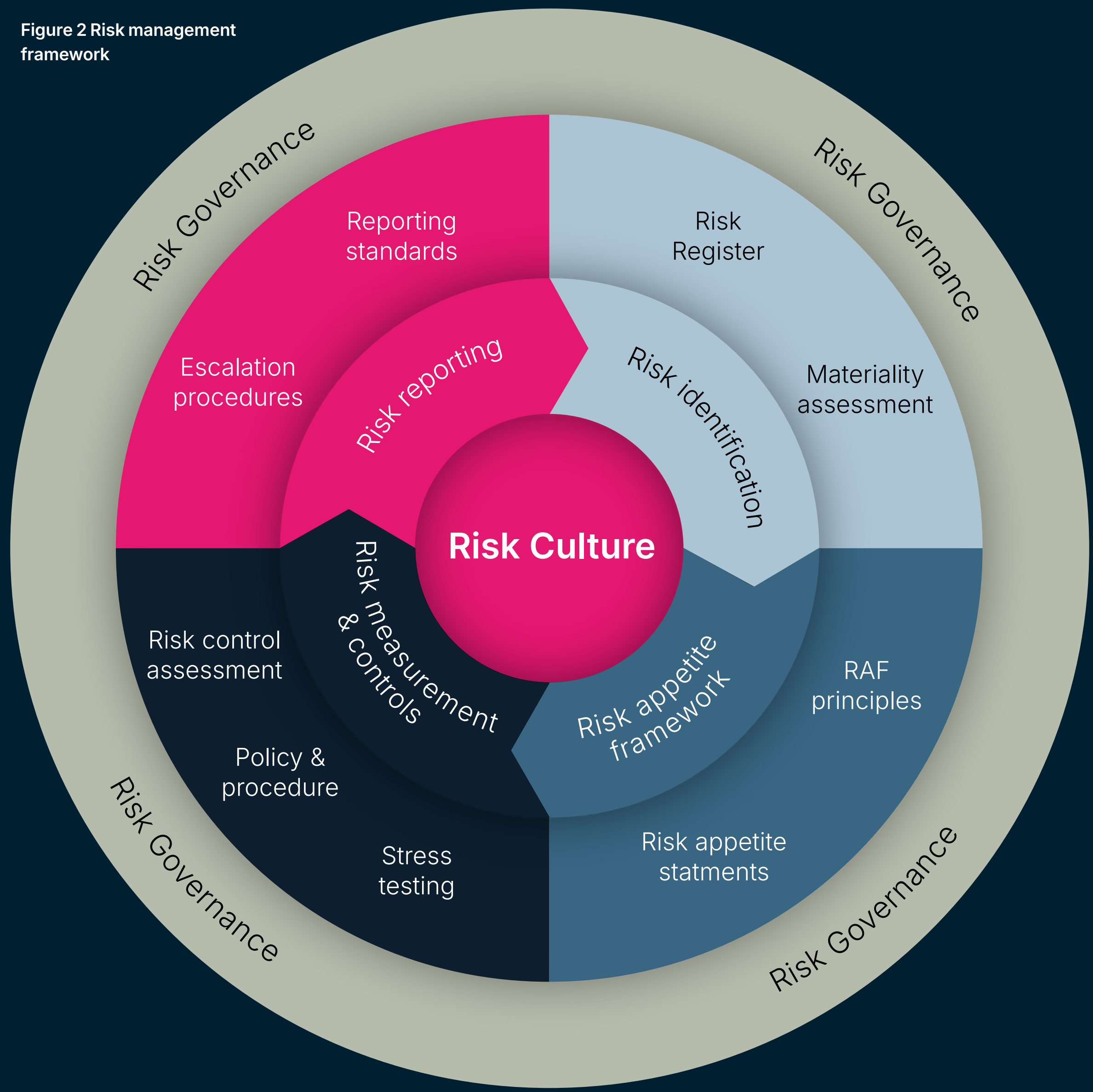
Kroo is committed to maintaining a strong and effective Risk Management Framework ("RMF"). The RMF revolves around the principles of a strong risk culture, aimed at ensuring that consideration of risk is embedded in all aspects of the business; whether to ensure the commercial viability of the business, to meet regulatory requirements or to make sure customers receive excellent customer service and can be confident that good conduct outcomes will be achieved when banking with Kroo.

Building on this cultural foundation, the RMF is designed to ensure the Risk Appetite of the Bank can be implemented, monitored and reported on, while at the same time establishing clear ownership and a mechanism for risk identification and ongoing management across the three lines of defence. Figure 2 overleaf provides a pictorial representation of the RMF as developed for the bank.

The following principles guide the Bank's overall approach to risk management:

- The Board sets risk appetite and an appropriate "tone from the top" and leads by example with regard to risk management.
- Risk management is structured around the Bank's principal risk categories, which are reviewed at least annually as part of the RMF and updated as appropriate.
- The Bank maintains a robust Risk Appetite Framework, manages exposures within the appetite using an approved set of metrics, and reports to senior management at least monthly.
- The Bank regularly undertakes stress tests to ensure that it remains resilient to shocks and sustainable as a bank, including during plausible but severely adverse economic conditions, both market-wide and/or idiosyncratic.
- The approach to remuneration ensures that fair customer outcomes and prudent decision making within risk appetite are appropriately incentivised.

Figure 2 Risk management framework



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Risk culture

Kroo's objective is to have a generative risk culture fully embedded within the Bank, to ensure all staff feel ownership and a responsibility for identifying and managing risk while at the same time having clarity of expectations of them in their individual roles and the boundaries within which they are able to exercise personal judgement.

The risk culture has been designed along the following structures:

- **Leadership** – The "tone from the top", the Board sets clear expectations and strategic direction on how risk management contributes to achieving the strategic objectives of the Bank
- **Organisational structure** – An organisational structure designed to align and reinforce the three lines of defence
- **Transparency** – Risk-related decisions, information and behaviours are shared within the Bank
- **Empowerment** – Clear apportionment of responsibility accompanied by appropriate training to empower individuals to manage risks faced within the boundaries of the RMF

Risk identification and assessment of risks

Risk identification helps to identify all the potential risks the Bank might be exposed to. The most efficient way to articulate this is through the risk register, a repository for all risks identified in the Bank.

The Bank fully recognises the importance of having a comprehensive risk register in place, as this is the foundation for key elements of the risk management function. It is used to support a number of the Bank's key processes, including the Internal Capital Adequacy Assessment Process ("ICAAP"), capital risk assessment, risk appetite and risk and control assessment. Moreover, the risk register provides a common risk language to ensure that consistent terminology is used across the Bank.

The business and the second line of defence are jointly responsible for ensuring that all the risks that the Bank might be exposed to are appropriately captured in the risk register. The risk register is subject to annual refresh to ensure it remains a comprehensive and meaningful list of risks the Bank is facing.

The principal risks faced by the Bank along with their definitions are summarised overleaf:

KEY RISKS	DEFINITION
Business risk	Business risk is the risk that Kroo is not able to execute the chosen strategy as communicated to its shareholders and potential shareholders, regulators, staff and other key stakeholders.
Capital adequacy risk	Capital adequacy risk is the risk of Kroo being unable to meet its capital requirements. This can be driven by: • Difficulty in raising capital when this is required; • Incorrect or inadequate capital assessment; • Misinterpretation of capital-related regulatory guidance; • Significant weaknesses in risk management and governance.
Liquidity and funding risk	Liquidity risk is the risk that the Kroo will not be able to meet its financial obligations as they fall due, or can do so only at excessive cost.
Credit Risk	Credit risk is defined as the risk of a loss due to the failure of a customer or counterparty to meet its obligation to settle outstanding amounts.
Market risk	Market risk is defined as the risk of losses resulting from adverse changes in the value of positions arising from movements in market prices across commodity, credit, equity, FX and interest rates risk factors.
Operational risk	Operational risk is the risk of an economic loss, a disruption to business, an adverse impact on reputation or on customer relationships or of legal action arising from inadequate or failed internal processes, people and systems.
Information and cyber security risk	Risk that the integrity, availability or confidentiality of our data, systems and services are compromised by deliberate or unintentional actions.
Financial Crime Risk	Risk that Kroo's products and services are used to facilitate financial crime and/or the failure of the bank to comply with financial crime regulation and legislation.
Conduct risk	Kroo defines conduct risk as the risk that harm is caused to its customers, counterparties or itself and its employees because of inappropriate judgement in the execution of business activities, human error, or inappropriately designed products, policies and procedures resulting in poor customer outcomes relative to their needs and objectives in seeking banking services from Kroo.
Regulatory and legal risk	Regulatory and legal risk is the risk that the Bank does not comply with all relevant regulation and all applicable laws (including codes of conduct which have legal implications) and/or legal obligations.
Pension Risk	Kroo is not exposed to this risk as the Bank only offers a defined contribution employee pension scheme.

Table 2 – Risk summary

Risk Appetite Statement

Risk Appetite is defined as the amount and type of risk that an organisation is willing to take in order to meet its strategic objectives and business plans.

The Risk Appetite Statement ("RAS") is a key component of Kroo's risk management framework, outlining the standards to which the Bank holds itself accountable in the establishment, governance, reporting and embedding of risk appetite.

The RAS provides a common framework and comparable measures across the Bank to ensure that senior management and the Board are able to clearly communicate, understand, and assess the types and level of risk that they are willing to accept. The RAS is an integral part of the Bank's decision-making process and it is communicated and promoted throughout the organisation, starting from the top.

Kroo has an overarching Risk Appetite Statement with qualitative statements of appetite and quantitative risk appetite limits.

Risk measurement and controls

Kroo has a strong focus on defining accurate risk measurement and creating a robust control environment to ensure the effectiveness of processes, policies and procedures and to facilitate the management and the controls of the risks to which the Bank is exposed.

Stress testing and scenario analysis

Stress testing and scenario analysis across all risk disciplines help in building a robust business that is able to adapt to changing circumstances and markets while maintaining an appropriate level of preparedness for unexpected events.

As such a stress testing and scenario analysis framework is in place which allows for bank-wide stresses as well as risk specific tests e.g. liquidity stresses, system outages. The framework encompasses regulatory requirements, e.g. the Bank of England stress scenario in addition to Bank specific scenarios.

Risk Control Self-Assessment

In order to ensure appropriate control on risks, Kroo has a Risk Control Self-Assessment ("RCSA") process to identify, assess and manage the key processes in the Bank. The RCSA is a key component of the operational risk framework, providing an integrated view of risks and issues.

Key Risk Indicators

As part of the controls framework, Key Risk Indicators ("KRIs") are in place across the various risk disciplines for monitoring whether risk exposure is within appetite. Given the variety of risks facing the Bank some KRIs are qualitative, e.g. review of customer feedback.

Within the KRIs, where appropriate, trigger levels are set to draw management's attention to a change in risk exposure. Appropriate management actions might include a review of exposure or potential re-setting of the risk appetite thresholds/appetite.

Risk Management Policies

To ensure consistency of execution of all activities and set minimum standards/ expectations, the Bank maintains a policy tree to track all policies and ensure appropriate ownership, responsibility and governance.

Risk Reporting

The first line of defence is responsible for producing timely and effective reporting on risk appetite. The reporting is integrated with the business and financial performance and has a forward-looking element, considering potential changes in the macro-economic environment and emerging risks.

This reporting includes, at minimum, the following elements for all material risks:

- Risk appetite limits and triggers
- Current utilisation of limits and triggers
- Current and forward-looking Risk Appetite RAG (Red, Amber Green) status
- Detailed rationale to explain status, trends and peaks
- Clear articulation of any breach and concrete proposed management actions to address it.

This reporting is presented monthly to the Risk & Compliance Committee and to the Management Committee and bi-monthly to the Board and the BRC to ensure that the Bank remains within the agreed appetite and that the management of the Bank is focused on all material risks and potential emerging risks.

Risk Governance

Responsibility for risk governance rests with the Board. There is clear delegation of authority from the Board through the management structure. The executive team is supported by a committee-based structure designed to ensure open challenge and support effective decision-making.

The governance structure outlined earlier in this document is critical to effective risk management across the Bank. This structure outlines the flow and escalation of risk information and reporting from the business and the Risk function to the Management Committee and Board. Conversely, strategic direction and guidance is cascaded down from the Board and Management Committee. The regular reporting from the Risk & Compliance Committee to the BRC and Management Committee strengthens the Risk function's independence from the CEO and allows an appropriate identification, assessment, management and communication of risks at Board level.

Three lines of defence model

The Bank's risk management practices are organised according to the principles of the "three lines of defence" model. This segregates duties between the following:

First line of defence
The first line comprises all business and support functions which are responsible for the day to day identification, mitigation, management and monitoring of risks arising within their function, and ensuring procedures are up to date to ensure compliance with internal processes. The first line are the primary risk owners of the bank.

Second line of defence
The second line of defence comprises the Risk and Compliance, Information Security and Data Protection teams, which are jointly responsible for providing oversight and challenge to the first line as well as helping establish the risk frameworks within which the first line function must operate. In addition, the Risk department is responsible for:

- Designing, maintaining and improving the Company's risk management framework
- Ensuring the risk management tools and controls are appropriately designed and implemented
- Ensuring the appropriateness and availability of the company-wide risk system
- Developing and delivering company-wide training on the various elements of the risk framework to the appropriate staff
- Producing regular, relevant risk reporting to management and the Board
- Producing the Company's risk policies and maintaining the company-wide policy framework
- Designing, implementing and improving the Company's security strategy
- Educating employees about security and data management best practices and regulatory requirements
- Ensuring compliance with data protection laws, managing privacy risks, and protecting individuals' privacy rights

Third line of defence
The third line of defence is responsible for providing assurance on the adequacy, appropriateness and effectiveness of the Bank's first and second lines of defence. The third line comprises Internal Audit which is provided by a third-party on an outsourced basis.

The primary responsibilities Internal Audit are as follows:

- Reviewing and maintaining a record of the Audit universe to ensure all risks are identified, assessed, and prioritised, and planned audits are performed with the appropriate frequency;
- Developing and proposing to the BAC, the annual Internal Audit Plan. Internal Audit considers any management directives, resolutions or material changes to the business or to the risk management and compliance framework that could be relevant to its activities and updates its audit plan accordingly;
- Carrying out audit reviews in accordance with the annual audit plan, primarily focusing on assessing the design, adequacy and operating effectiveness of key internal controls, including adherence to policies and procedures;
- Presenting final audit reports to the BAC for review and agreement on management actions. Reports include a description of the audit work performed and findings, highlighting any major deficiencies, laying out the remedial management actions and setting target completion dates;
- Reviewing regularly with the BAC the progress made on agreed management actions on all audit reports;
- Reporting any material audit matters to the BAC and, where appropriate, senior management; and
- Reviewing the bank's internal audit arrangements with relevant senior management.

In order to ensure the independence of the third line of defence, the appointed Internal Audit provider reports directly to the BAC.

Key metrics.

Key metrics for the Bank for 31 December 2024 and for the previous year are as follows:

£	31 DEC 2024	31 DEC 2023
Available own funds		
Common equity tier 1 (CET1)	7,327,982	13,429,696
Tier 1 capital	7,327,982	13,429,696
Total capital	7,327,982	13,429,696
Risk weighted exposure amounts		
Total risk-weighted exposure amount	30,590,678	30,694,218
Capital ratios (as a percentage of risk weighted exposure amounts)		
Common equity tier 1 ratio (%)	24.0%	43.8%
Tier 1 ratio (%)	24.0%	43.8%
Total capital ratio (%)	24.0%	43.8%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)	1.63%	2.68%
Additional AT1 SREP requirements (%)	0.54%	0.89%
Additional T2 SREP requirements (%)	0.72%	1.19%
Total SREP own funds requirements (%)	10.89%	12.77%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.50%	2.50%
Institution specific countercyclical capital buffer (%)	2.00%	2.00%
Combined buffer requirement (%)	4.50%	4.50%
Overall capital requirements (%)	15.39%	17.27%
CET1 available after meeting the total SREP own funds requirements (%)	5.90%	27.93%
Leverage ratio		
Total exposure measure excluding claims on central banks	34,574,564	24,839,615
Leverage ratio excluding claims on central banks (%)	21.2%	54.1%
Liquidity coverage ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	935,559,813	841,232,729
Cash outflows - Total weighted value	140,540,012	125,025,307
Cash inflows - Total weighted value	17,037,587	19,802,995
Total net cash outflows (adjusted value)	123,502,425	105,222,312
Liquidity coverage ratio (%)	758%	799%
Net stable funding ratio		
Total available stable funding	813,112,171	785,009,254
Total required stable funding	17,979,876	14,888,848
NSFR ratio (%)	4522%	5267%

Table 3 – Key metrics

Capital Resources.

Introduction

As at 31 December 2024 and throughout 2024 the Bank complied with its Total Capital Requirement as laid down by the PRA. The Capital Resources of the Bank are calculated under Pillar 1 of Capital Requirements Directive V. The following table shows the breakdown of available capital of the Bank as at 31 December 2024 and 2023:

£	31 DEC 2024	31 DEC 2023
Tier 1 Capital:		
Share Capital	95	68
Share Premium	88,853,695	76,423,514
Accumulated losses	(84,144,241)	(64,919,853)
Share Based Payments Reserve	2,618,433	1,925,967
Total Tier 1 Capital Resources	**7,327,982**	**13,429,696**
Core tier 1 Capital as a percentage of risk weighted assets (CET1 Ratio)	24.0%	43.8%
Risk Weighted Assets (RWAs)	**30,590,678**	**30,694,218**
Reconciliation of accounting and regulatory capital resources:		
Accounting capital resources	**7,327,982**	**13,429,696**
Adjustment for intangible assets	-	-
Regulatory capital resources	**7,327,982**	**13,429,696**

Table 4 – Capital resources

The only form of capital instruments in issue is ordinary shares of £0.000001 each, with equal voting rights and ranking equally for dividends.

As at 31 July 2025, the Bank has issued a further £26.0m of Tier 1 capital since 31 December 2024.

Total assets and equity for 31 December 2023 differ from those disclosed in the 2023 Pillar 3 report due to a prior year adjustment. Details of this are set out in note 1 of the Bank's 2024 annual report.

Adequacy of capital resources

Underpinning the Bank's strategic plan is the need to maintain its capital strength above the Board agreed requirement, which is 5% above the regulatory required minimum capital. In order to do this, the Bank needs to generate, and retain, profits that will add to the general reserves, the main source of capital. During its start-up phase when the Bank is not yet profitable, it will seek to raise sufficient equity capital from investors to meet its operational requirements and regulatory requirements.

Complementing the Strategic Plan, the Bank annually undertakes an Internal Capital Adequacy Assessment Process ("ICAAP"), to ensure that the Bank's capital resources are sufficient to deliver the strategic plan objectives in normal as well as stressed conditions.

This process involves reviewing all risks relevant to the Bank, and assessing the required capital to mitigate those risks, through analysing the impact of a range of stress scenarios. The key risks that are evaluated as part of the ICAAP are the primary risks identified in Table 2 on page [15]. The Bank also assesses how much capital would be required in order to achieve an orderly and solvent wind-down of its business.

The Board assesses relevant information on each of these areas against a clearly defined risk appetite and approves the capital requirements arising from this detailed review.

The Bank translates its overall risk appetite for risk into a range of policy limits controlling the exposures taken. These exposures, and other risks, are carefully monitored by the Board and Board committees on a regular basis, as part of the Bank's governance structure.

Risk weighted exposure amounts, operational risk capital and leverage ratio.

Risk weighted exposure amounts

The assets of the Bank are analysed by risk category and given risk weightings according to the level of risk entailed. The risk weightings are determined by the "Standardised Approach" to credit risk and "Basic Indicator Approach" to operational risk. The Bank's Pillar 1 capital requirement as at 31 December 2024 based on 8% of its risk-weighted assets is derived as follows:

£	ASSETS	RISK WEIGHT %	RISK WEIGHTED ASSETS	MINIMUM CAPITAL REQUIREMENT
Credit Risk				
Institutions	15,845,967	20%	3,169,193	253,535
Corporates	1,940,031	100%	1,940,031	155,202
Retail	16,140,896	75%	12,105,672	968,454
Central Bank & Government	941,230,980	0%	0	0
Other	183,956	100%	183,956	14,716
Credit Risk total	**975,341,830**		**17,398,852**	**1,391,907**
Operational Risk			**13,191,826**	**1,055,346**
Total	**975,341,830**		**30,590,678**	**4,146,000**

Table 5 – Risk weighted assets

The total capital requirement is set at the Base Capital Requirement, which is the GBP equivalent of EUR 5 million.

£	31 DEC 2024	31 DEC 2023
Amount of regulatory capital resources	7,327,982	13,429,696
Total Pillar 1 capital requirement	4,146,000	4,337,500
Surplus Capital over Pillar 1 requirement	3,181,982	9,092,196
PRA set Total Capital Requirement (TCR) at the higher of 10.89% of Risk Weighted Assets (2023: 12.77%) or the Base Capital Requirement	**4,146,000**	**4,335,000**
Surplus Capital above TCR	**3,181,982**	**9,094,696**
2.5% Capital Conservation Buffer (CCB)	**764,767**	**767,355**
2% CounterCyclical Buffer (CCyB)	**611,814**	**613,884**
Surplus Capital above TCR and CCB/CCyB	**1,805,401**	**7,713,457**

Table 6 – Pillar 1 capital surplus

Operational risk

The Bank uses the Basic Indicator Approach to set operational risk capital requirements. Under this approach the capital requirement is normally set at 15% of the average annual income in the past three years. As Kroo has not been operating as a bank for three years it uses forward-looking business estimates instead.

Leverage ratio

The leverage ratio is defined as the ratio between the Tier 1 capital and the total on-and-off balance sheet asset exposure, without taking into account any risk weighting. Its objective is to reduce the risk of excessive leverage (i.e. an excessively low amount of own funds compared to total assets), as well as acting as a backstop against the model complexities involved in calibrating risk weights.

The total exposure measure and leverage ratio are shown below based on the total balance sheet exposures at 31 December 2024:

£	31 DEC 2024	31 DEC 2023
Tier 1 Capital Resources (without taking account of any derogations)	7,327,982	13,429,696
Total Balance Sheet Exposures	34,574,564	25,698,472
Leverage ratio	21.2%	55.6%

Table 7 – Leverage ratio

£	31 DEC 2024	31 DEC 2023
Tangible fixed assets	183,956	390,173
Current assets	975,157,874	872,669,427
Total assets per balance sheet	**975,341,830**	**873,059,600**
Total on balance sheet exposures (including claims on central banks)	**975,341,830**	**873,059,600**
(Claims on central banks excluded, capped at level of liabilities)	(940,875,108)	(848,278,623)
Total on balance sheet exposures (excluding claims on central banks)	**34,466,722**	**24,780,977**
Other off-balance sheet exposures at gross notional amount	1,078,416	586,383
(Adjustments for conversion to credit equivalent amounts)	(970,574)	(527,745)
Total off balance sheet exposures	**107,842**	**58,638**
Total exposures	**34,574,564**	**24,839,615**

Table 8 – Reconciliation of total balance sheet exposures

Through ALCO, the Bank manages the risk of excessive leverage by monitoring the leverage ratio each month, both on an actual and forecast basis, and, when necessary, taking appropriate action to increase the ratio.

Counterparty Credit Risk.

The Counterparty Credit Risk requirements of the CRR apply to derivative transactions such as interest rate swaps and forward foreign-exchange contracts. The Bank had no such transactions in place at 31 December 2024. A Counterparty Credit Risk policy has been developed to set out how limits for counterparties, countries and types of exposure will be determined and managed.

The bulk of Kroo's liquid assets are held in the form of deposits with the Bank of England, with funds held in nostro accounts as necessary for operational requirements.

Market Risk: Interest Rate Risk in the Banking Book ("IRRBB").

The Bank's only material market risk is Interest Rate Risk in the Banking Book ("IRRBB"). This is reviewed under its Pillar 2 assessment. No Pillar 1 capital is held for market risk.

IRRBB is the impact on capital and net interest income arising from resetting interest rates where there are timing differences between the dates on which interest is receivable on assets and payable on liabilities. Kroo is exposed to interest rate risk arising from changes in the prices and interest rates of its financial instruments. The Bank does not take speculative views on future interest rate movements when investing surplus funds nor does it hold a trading book.

The Bank measures IRRBB on a monthly basis by assessing the impact of six interest rate shock scenarios as detailed in the Internal Capital Adequacy Assessment part of the PRA Rulebook on:

1. Its Net Interest Income (the NII basis)
2. The fair value of the Bank's assets and liabilities (the Economic Value of Equity or EVE basis) discounted using SONIA Overnight Indexed Swap rates

At 31 December 2024 the Bank's interest rate risk on the NII basis was £128,000, which is within its risk appetite of 1.5% of Risk Weighted Assets. On the EVE basis the Bank had an exposure of £444,000 at 31 December 2024, which is also within its risk appetite of 1.5% of Risk Weighted Assets.

In addition at that date Kroo was exposed to optionality risk, in that consumer loan borrowers have the option to repay their loans early without penalty. This could affect Kroo's interest income if exercised by the borrower.

At 31 December 2024, Kroo had no exposure to basis risk, which arises when assets or liabilities reprice in relation to different reference interest rates.

Encumbered Assets.

At 31 December 2024, all the Bank's assets were unencumbered with the exception of cash collateral of £3,622,000 securing the Bank's obligations as a member of Visa.

Remuneration.

Kroo's remuneration policies set out how staff are remunerated in a way that promotes the success of Kroo without driving excessive risk-taking. The RemCo reviews the policies to ensure that they support these objectives. Before June 2024 these duties were carried out by a Remuneration & Nomination Committee. These Committees met six times in total in 2024. The RemCo members are the independent chairperson, two independent non-executive directors and the non-executive director.

The terms of reference of the RemCo remuneration include:

- Ensuring that Kroo's remuneration policies and practices remain aligned with Kroo's long-term business plans and continue to support and reinforce a healthy work culture and the right behaviours.
- Ensuring that diversity and inclusion are embedded in Kroo's approach to rewarding individuals, and that unconscious bias is avoided.
- Recommending to the Board the framework or broad policy for the remuneration of the Chief Executive, executive directors, other senior executives and for Dual-Regulated Remuneration Code staff. That policy shall have the objective of ensuring that members of the executive management of Kroo are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of Kroo;
- Defining, approving and overseeing a remuneration policy for employees who directly serve clients, with such policy aiming to encourage responsible business conduct and fair treatment of clients as well as avoiding conflicts of interest in relationships with clients;
- Overseeing any major changes in employee benefits structures throughout Kroo;
- Making recommendations to the Board about the pay of directors whose remuneration shall be a matter for the Chairperson and the members of the Board. No director or manager is involved in any decisions concerning their own remuneration.

Remuneration comprises two elements:

- Fixed remuneration in the form of basic salary. A basic salary is set for each role at a level that ensures that the appropriate calibre of staff are attracted and retained.
- Variable remuneration in the form of share options. Share options are provided under a Company Share Option Scheme approved by HMRC and an unapproved scheme, to attract quality staff and to reward existing staff for exceptional contribution. Share option awards are discretionary. Kroo does not provide variable remuneration in the form of a discretionary cash bonus. Non-executive directors do not participate in the share option schemes.

No Executive Director holds a contract with a notice period of more than 12 months.

Material Risk Takers.

The Board has determined that for the year to 31 December 2024, there were 25 employees within the Bank who are designated as being subject to the PRA Remuneration Code, as set out in SYSC 19A. These staff are identified as Material Risk Takers under CRD V.

The remuneration of the Bank's Executive Directors is determined by the Board and that of other members of senior management and Material Risk Takers is determined by the RemCo.

Total emoluments for Material Risk Takers for the year to 31 December 2024 were as follows (No cash bonus payments were made in the financial year 31 December 2024):

£	31 DEC 2024	31 DEC 2023
Fixed remuneration	2,699,681	2,814,738
Variable remuneration - share options	404,973	510,037
Total remuneration	**3,104,654**	**3,324,775**

Table 9 – Material Risk Taker remuneration

Liquidity.

Liquidity risk is the risk that the Bank fails to meet its obligations as and when they fall due or that they can only be met at an uneconomic price. At all times the Bank has had sufficient liquid assets to meet its liabilities. Liquidity risk is managed by the Finance function, overseen by the "ALCO", and the Bank monitors funding and liquidity risk daily using a range of sources and metrics including the ratio of deposits to loans, the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR").

Kroo assesses its liquidity and funding risk profile annually as part of the Internal Liquidity Adequacy Assessment Process ("ILAAP"). The results of this exercise are reviewed and approved by the Board. The ILAAP takes account of the fact that the Bank has assets which have longer contractual maturities than the contractual maturity of its liabilities but also the fact that the behavioural maturities of liabilities are longer than the contractual maturities.

The table below sets out for each quarter end during 2024 the average LCR for the preceding year based on each month-end in the previous year.

£	31 DEC 2024	30 SEP 2024	30 JUN 2024	31 MAR 2024
	TOTAL UNWEIGHTED VALUE (AVERAGE)			
No. of data points	12	12	12	12
Cash outflows	964,284,393	922,281,632	868,702,508	757,529,401
Cash inflows	17,533,548	17,838,805	16,628,385	14,536,431
Net cash outflows	**946,750,846**	**904,442,828**	**852,074,122**	**742,992,971**
	TOTAL WEIGHTED VALUE (AVERAGE)			
Cash outflows	140,540,012	134,603,224	127,408,391	111,726,600
Cash inflows	17,037,587	17,430,418	16,305,502	14,255,409
Cash inflows subject to 75% cap	17,037,587	17,430,418	16,305,502	14,255,409
Net cash outflows	**123,502,425**	**117,172,806**	**111,102,889**	**97,471,191**
High Quality Liquid Assets	935,559,813	898,088,903	851,978,906	749,852,106
Liquidity Coverage Ratio	**758%**	**766%**	**767%**	**769%**

Table 10 – Liquidity coverage ratio (average)

The table below sets out for each quarter end during 2024 the average Net Stable Funding Ratio ("NSFR") for the preceding year based on each quarter-end in the previous year:

£	31 DEC 2024	30 SEP 2024	30 JUN 2024	31 MAR 2024
Total available stable funding	813,112,171	783,514,908	742,871,798	651,080,378
Total required stable funding	17,979,876	16,360,404	13,596,520	10,518,694
Net stable funding ratio (NSFR)	**4522%**	**4789%**	**5464%**	**6190%**

Table 11 – Net stable funding ratio ("NSFR")

Use of External Credit Agencies.

Under the Standardised approach to credit risk, the Bank makes use of External Credit Assessment Institutions' ("ECAIs") credit ratings from the main three credit rating agencies (Fitch, S&P, Moody's) to assess the credit risk weight of exposures to institutions. Ratings published by the ECAIs are mapped to Credit Quality Steps ("CQS") according to mapping tables laid down by the FCA and European Banking Authority ("EBA"). The CQS value is then mapped to a risk weight percentage.

£	EXPOSURE	RISK WEIGHT
Institutions - CQS 2	7,677,895	1,535,579
Institutions - Unrated	8,168,072	1,633,614
Total	**15,845,967**	**3,169,193**

Table 12 – Exposure to institutions: use of ECAIs

Credit Risk.

Credit exposures by exposure class are set out below:

£	EXPOSURE AT 31 DEC 2024	AVERAGE EXPOSURE 2024	RISK WEIGHTED ASSETS
Retail	16,140,896	345,628	12,105,672
Institution	15,845,967	10,135,087	3,169,193
Corporate	1,940,031	2,889,469	1,940,031
Central bank or central government	941,230,980	593,330,655	-
Other	183,956	1,965,372	183,956
Total	**975,341,830**	**608,666,211**	**17,398,852**

Table 13 – Credit exposures by exposure class

All exposures were within 5 years maturity and their geographical location was the United Kingdom.

£	LESS THAN 3M	3M TO 1 YEAR	GREATER THAN 1 YEAR	TOTAL EXPOSURE
UK	960,295,286	3,990,775	11,055,769	975,341,830
Total	**960,295,286**	**3,990,775**	**11,055,769**	**975,341,830**

Table 14 – Maturity and geographical profile of exposures

The Bank's accounting policy for impairment and provisions is in accordance with FRS102. The Bank defines an exposure as being past due and impaired if any of the following applies:

1. The exposure is in the form of a consumer loan and any instalment or part of an instalment remains unpaid 90 days or more after it was due;
2. The exposure is in the form of a current account which has been continuously overdrawn without an overdraft facility in place for 90 days or more;
3. The exposure is in the form of a current account with an overdraft facility and the account has been continuously overdrawn in excess of the overdraft limit for 90 days or more;
4. A forbearance arrangement is considered to be 'distressed restructuring', in that the net present value of cash flows under the revised arrangement are lower than the net present value of the original contractual arrangement by more than 1%;
5. A forborne exposure under probation is overdue by more than 30 days;
6. The borrower is considered unlikely to pay on the basis of information that has become available. Examples include:
   A. The borrower contacts us to say that they have suffered a negative change of circumstances, for example they have lost their job and wishes to discuss a delay to the repayment schedule
   B. The customer has entered into an Individual Voluntary Arrangement ("IVA") or is adjudged bankrupt
   C. A current account is overdrawn (whether within limit or over limit) and no credit has been received into the account for 90 days; and
7. If any borrower exposures representing a material proportion of the total exposure to that borrower across all accounts are in default according to the above criteria, then all other exposures of that borrower are deemed to be in default as well. For these purposes a material exposure is considered to be one representing at least 20% of the customer exposure.

The Bank classifies exposures meeting the above criteria as being past due and impaired on the basis of a monthly review of exposures. A general credit risk adjustment is made for impairments not specifically identified on the basis of an estimate of the expected loss rate by category of exposure and the length of time normally taken to identify impairments (the emergence period).

At 31 December 2024 the Bank had £1,083,447 (2023: £58,439) of provisions for impairment and £1,067,555 (2023: £36,873) in default. Provisions for impairment represent 6.3% of gross advances (2023: 2.5%), while advances in default represent 6.2% of gross advances (2023: 1.6%).

Impairment and provisions for retail advances at 31 December 2024 were as follows:

£	LOANS	OVERDRAFTS	TOTAL
Gross impaired advances	788,252	279,303	1,067,555
Specific provision for impaired advances	(670,015)	(182,509)	(852,524)
Net impaired advances	118,237	96,794	215,031
Neither past due nor impaired	15,724,777	432,011	16,156,788
Collective provision	(196,172)	(34,751)	(230,923)
Neither past due nor impaired (net)	**15,528,605**	**397,260**	**15,925,865**
Net balance	**15,646,842**	**494,054**	**16,140,896**

Table 15 – Impairment and provisions for retail advances

KR

Who you bank with matters.