

Publication of information concerning capital adequacy and liquidity management

26 May 2023

In accordance with Regulation (EU) 575/2013 and the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2014:12) on regulatory requirements and capital buffers, this information is presented on a quarterly basis on Klarna's website, www.klarna.com

Klarna's capital requirements are set out in Regulation (EU) 575/2013 as amended by Regulation (EU) 2019/876, Directive (EU) 36/2013 as well as in the Directive's national implementation regulations. This capital requirement consists of minimum capital requirements for credit, market and operational risk, internally assessed capital requirement and regulatory capital buffers.

The information is presented for Klarna Bank AB (publ) (556737-0431) and Klarna Holding AB (publ) Consolidated as of 31 March, 2023.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated	Klarna Bank AB (publ)
SEKk	31 Mar 2023	31 Mar 2023
Own funds		
Common Equity Tier 1 capital	13,084,917	12,934,161
Additional Tier 1 capital	407,583	276,000
Tier 2 capital	227,045	303,295
Own funds	13,719,545	13,513,456
Risk exposure amount		
Credit risk according to standardized approach	52,026,912	64,763,729
Securitisation positions	1,226,830	1,226,830
Market risk according to standardized approach	756,795	1,141,350
Operational risk according to alternative standardized approach	3,742,449	3,980,829
Credit valuation adjustment	100,031	100,031
Total risk exposure amount	57,853,017	71,212,769
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	22.6%	18.2%
Tier 1 capital ratio	23.3%	18.6%
Total capital ratio	23.7%	19.0%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	7.7%	7.7%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.7%	0.7%
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	18.1%	13.7%
Leverage ratio		
Tier 1 capital	13,492,500	13,210,161
Total Leverage ratio exposure amount	114,258,382	124,957,033
Leverage ratio	11.8%	10.6%

**Capital requirements for credit risk per exposure class, standardized approach
SEKk**

Klarna Holding AB (publ) Consolidated

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	22,090,564	0	0
Regional governments or local authorities	5,154,677	0	0
Public sector entities	0	0	0
Multilateral development banks	4,928,881	0	0
Institutions	3,065,018	613,004	49,040
Corporates	6,446,602	6,357,077	508,566
Retail	49,807,513	37,355,635	2,988,451
Exposures in default	494,131	518,256	41,460
Covered bonds	861,437	86,144	6,892
Equity	344,086	751,312	60,105
Other items	5,797,981	6,345,484	507,639
Total	98,990,890	52,026,912	4,162,153

**Capital requirements for credit risk per exposure class, standardized approach
SEKk**

Klarna Bank AB (publ)

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	21,814,181	0	0
Regional governments or local authorities	5,154,677	0	0
Public sector entities	0	0	0
Multilateral development banks	4,928,881	0	0
Institutions	1,260,735	252,147	20,172
Corporates	13,368,507	13,288,346	1,063,068
Retail	42,860,448	32,145,336	2,571,627
Exposures in default	478,266	502,391	40,191
Covered bonds	861,437	86,144	6,892
Equity	13,883,709	14,290,936	1,143,275
Other items	4,049,521	4,198,429	335,874
Total	108,660,362	64,763,729	5,181,099

Internally assessed capital requirement

As of 31 March, 2023, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 7.2bn and for Klarna Bank AB (publ) to SEK 8.8bn, comprising the minimum capital requirement under Pillar I, the capital requirement for risks managed under Pillar II and the combined buffer requirements.

Sources of funding

As of 31 March, 2023, Klarna's business was funded by deposits from the public, debt securities in issue, subordinated debt and liabilities to credit institutions.

Liquidity reserve

As of 31 March, 2023, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 31.8bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 31.8bn and consisted of high-quality liquid assets.

IFRS 9 Transitional adjustments

From 01 January 2018 Klarna applies the transitional rules in line with Article 473(a) of the EU regulation no 575/2013 to phase in IFRS 9's capital impact. As of 01 January 2023, the capital adequacy calculations are modified to include a dynamic component only, as the static component is nil from 01 January 2023 onwards.

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 SEkk	Klarna Holding AB (publ) Consolidated			
	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	13,084,917	14,865,057	15,902,917	9,386,230
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	12,485,469	13,521,731	14,555,333	7,941,126
Tier 1 capital	13,492,500	15,291,636	16,327,166	9,769,918
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,893,052	13,948,310	14,979,582	8,324,814
Total capital	13,719,545	15,547,772	16,580,035	9,971,367
Total capital as if IFRS 9 transitional arrangements had not been applied	13,120,097	14,204,446	15,232,451	8,526,263
Risk exposure amounts				
Total risk exposure amount	57,853,017	68,597,476	63,843,323	62,840,833
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	57,253,568	67,254,149	62,495,738	61,395,727
Capital ratios (as percentage of total risk exposure amount)				
CET1	22.6%	21.7%	24.9%	14.9%
CET1 as if IFRS 9 transitional arrangements had not been applied	21.8%	20.1%	23.3%	12.9%
Tier 1	23.3%	22.3%	25.6%	15.5%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	22.5%	20.7%	24.0%	13.6%
Total capital	23.7%	22.7%	26.0%	15.9%
Total capital as if IFRS 9 trans. Arrangements had not been applied	22.9%	21.1%	24.4%	13.9%
Leverage ratio				
Total Leverage ratio exposure amount	114,258,382	119,462,467	113,719,292	108,326,827
Leverage ratio	11.8%	12.8%	14.4%	9.0%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.3%	11.8%	13.3%	7.9%

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9

Klarna Bank AB (publ)

SEkk	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	12,934,161	12,612,549	11,920,844	14,379,188
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	12,425,719	11,497,290	10,821,730	13,342,345
Tier 1 capital	13,210,161	12,888,549	12,196,844	14,655,188
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,701,719	11,773,290	11,097,730	13,618,345
Total capital	13,513,456	13,191,092	12,498,660	14,956,411
Total capital as if IFRS 9 transitional arrangements had not been applied	13,005,013	12,075,833	11,399,546	13,919,568
Risk exposure amounts				
Total risk exposure amount	71,212,769	80,078,321	72,536,845	73,928,550
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	70,704,327	78,963,062	71,437,730	72,891,707
Capital ratios (as percentage of total risk exposure amount)				
CET1	18.2%	15.8%	16.4%	19.5%
CET1 as if IFRS 9 transitional arrangements had not been applied	17.6%	14.6%	15.1%	18.3%
Tier 1	18.6%	16.1%	16.8%	19.8%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	18.0%	14.9%	15.5%	18.7%
Total capital	19.0%	16.5%	17.2%	20.2%
Total capital as if IFRS 9 transitional arrangements had not been applied	18.4%	15.3%	16.0%	19.1%
Leverage ratio				
Total Leverage ratio exposure amount	124,957,033	127,311,502	120,044,010	115,756,211
Leverage ratio	10.6%	10.1%	10.2%	12.7%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	10.2%	9.3%	9.3%	11.9%

Disclosure of information regarding capital adequacy and capital ratios

The table below is prepared in accordance with FFFS 2014:12 Chapter 8 Paragraph 3 and Regulation (EU) 2021/637 Annex IV.

Own funds disclosure	Klarna Holding AB (publ) Consolidated	Klarna Bank AB (publ)	Regulation (EU) No 575/2013 Article reference
SEKk			
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	41,623,195	32,053,352	26(1), 27, 28, 29
of which: Share capital	3,010	73,661	26(3)
of which: Share premium	41,620,185	31,979,691	26(3)
Retained earnings	-18,559,167	-17,717,093	26(1)(c)
Accumulated other comprehensive income (and other reserves)	871,290	1,274,403	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	23,935,318	15,610,662	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-1,284	-757	34, 105
Intangible assets (net of related tax liability)	-9,929,890	-1,757,295	36(1)(b), 37
Losses for the current financial year	-1,208,251	-1,135,748	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	599,448	508,442	473a(8)
Deferred tax assets rely on future profitability	-19,281	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-291,143	-291,143	36(1)(k)(ii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-10,850,401	-2,676,501	
Common Equity Tier 1 (CET1) capital	13,084,917	12,934,161	
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	256,372	276,000	51, 52
of which: classified as equity under applicable accounting standards	256,372	276,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	151,211		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	407,583	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	407,583	276,000	
Tier 1 capital (T1 = CET1 + AT1)	13,492,500	13,210,161	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts		303,295	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	227,045		87, 88
Tier 2 (T2) capital before regulatory adjustment	227,045	303,295	

Tier 2 (T2) capital: regulatory adjustments**Total regulatory adjustments to Tier 2 (T2) capital**

Tier 2 (T2) capital instruments	227,045	303,295	
Own funds (TC = T1 + T2)	13,719,545	13,513,456	
Total risk exposure amount	57,853,017	71,212,769	

Capital ratios and buffers**(as percentage of total risk exposure amount)**

Common Equity Tier 1	22.6%	18.2%	92(2)(a)
Tier 1	23.3%	18.6%	92(2)(b)
Total capital	23.7%	19.0%	92(2)(c)
Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer)	7.7%	7.7%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	0.7%	0.7%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	18.1%	13.7%	CRD 128

**Amounts below the thresholds for deduction
(before risk-weighting)**

Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	271,484	271,484	36(1)(i), 45, 48
Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met)	365,011	99,275	36(1)(c), 38, 48