

Publication of information concerning capital adequacy and liquidity management

6 November 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 30 September, 2023.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated 30 Sep 2023	Klarna Bank AB (publ) 30 Sep 2023
SEKk		
Own funds		
Common Equity Tier 1 capital	13,077,846	13,276,158
Additional Tier 1 capital	172,478	276,000
Tier 2 capital	750,859	0
Own funds	14,001,183	13,552,158
Risk exposure amount		
Credit risk according to standardized approach	59,259,880	72,134,708
Securitisation positions	1,189,184	1,189,184
Market risk according to standardized approach	1,348,962	2,482,716
Operational risk according to alternative standardized approach	3,742,449	3,980,829
Credit valuation adjustment	104,097	104,097
Total risk exposure amount	65,644,572	79,891,534
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	19.9%	16.6%
Tier 1 capital ratio	20.2%	17.0%
Total capital ratio	21.3%	17.0%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	8.1%	8.1%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.1%	1.1%
CET1 available after meeting the total SREP own funds requirements (%)	15.0%	11.7%
Leverage ratio		
Tier 1 capital	13,250,324	13,552,158
Total Leverage ratio exposure amount	124,689,498	136,001,842
Leverage ratio	10.6%	10.0%

**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	25,017,978	0	0
Regional governments or local authorities	3,274,081	0	0
Public sector entities	1,235,370	0	0
Multilateral development banks	2,108,145	0	0
International organisations	1,144,899	0	0
Institutions	4,392,180	878,436	70,275
Corporates	7,922,741	7,713,147	617,052
Retail	58,110,758	43,583,069	3,486,646
Exposures in default	540,261	574,773	45,982
Covered bonds	861,146	86,114	6,889
Equity	317,349	739,993	59,199
Other items	5,159,340	5,684,348	454,748
Total	110,084,248	59,259,880	4,740,791

**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	24,731,767	0	0
Regional governments or local authorities	3,274,081	0	0
Public sector entities	1,235,370	0	0
Multilateral development banks	2,108,145	0	0
International organisations	1,144,899	0	0
Institutions	2,852,647	570,529	45,642
Corporates	13,019,269	12,808,707	1,024,697
Retail	51,897,464	38,923,098	3,113,848
Exposures in default	616,596	737,682	59,015
Covered bonds	861,146	86,115	6,889
Equity	14,838,451	15,261,094	1,220,888
Other items	3,613,433	3,747,483	299,799
Total	120,193,268	72,134,708	5,770,778

Internally assessed capital requirement

As of 30 September, 2023, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 8.4bn and for Klarna Bank AB (publ) to SEK 10.3bn, 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 30 September, 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 30 September, 2023, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 32.5bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 32.5bn 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			
	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	13,077,846	12,494,171	13,084,917	14,865,057
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	12,574,761	11,834,763	12,485,469	13,521,731
Tier 1 capital	13,250,324	12,921,780	13,492,500	15,291,636
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,747,239	12,262,372	12,893,052	13,948,310
Total capital	14,001,183	13,426,912	13,719,545	15,547,772
Total capital as if IFRS 9 transitional arrangements had not been applied	13,498,098	12,767,504	13,120,097	14,204,446
Risk exposure amounts				
Total risk exposure amount	65,644,572	67,624,000	57,853,017	68,597,476
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	65,141,487	66,964,593	57,253,568	67,254,149
Capital ratios (as percentage of total risk exposure amount)				
CET1	19.9%	18.5%	22.6%	21.7%
CET1 as if IFRS 9 transitional arrangements had not been applied	19.3%	17.7%	21.8%	20.1%
Tier 1	20.2%	19.1%	23.3%	22.3%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	19.6%	18.3%	22.5%	20.7%
Total capital	21.3%	19.9%	23.7%	22.7%
Total capital as if IFRS 9 trans. Arrangements had not been applied	20.7%	19.1%	22.9%	21.1%
Leverage ratio				
Total Leverage ratio exposure amount	124,689,498	116,236,998	114,258,382	119,462,467
Leverage ratio	10.6%	11.1%	11.8%	12.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	10.3%	10.6%	11.3%	11.8%

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9		Klarna Bank AB (publ)			
SEkk	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital	13,276,158	13,183,977	12,934,161	12,612,549	
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	12,883,047	12,634,161	12,425,719	11,497,290	
Tier 1 capital	13,552,158	13,459,977	13,210,161	12,888,549	
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	13,159,047	12,910,161	12,701,719	11,773,290	
Total capital	13,552,158	13,459,977	13,513,456	13,191,092	
Total capital as if IFRS 9 transitional arrangements had not been applied	13,159,047	12,910,161	13,005,013	12,075,833	
Risk exposure amounts					
Total risk exposure amount	79,891,534	80,953,596	71,212,769	80,078,321	
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	79,498,423	80,403,781	70,704,327	78,963,062	
Capital ratios (as percentage of total risk exposure amount)					
CET1	16.6%	16.3%	18.2%	15.8%	
CET1 as if IFRS 9 transitional arrangements had not been applied	16.2%	15.7%	17.6%	14.6%	
Tier 1	17.0%	16.6%	18.6%	16.1%	
Tier 1 as if IFRS 9 transitional arrangements had not been applied	16.6%	16.1%	18.0%	14.9%	
Total capital	17.0%	16.6%	19.0%	16.5%	
Total capital as if IFRS 9 transitional arrangements had not been applied	16.6%	16.1%	18.4%	15.3%	
Leverage ratio					
Total Leverage ratio exposure amount	136,001,842	126,965,311	124,957,033	127,311,502	
Leverage ratio	10.0%	10.6%	10.6%	10.1%	
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	9.7%	10.2%	10.2%	9.3%	

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	42,036,518	33,317,908	26(1), 27, 28, 29
of which: Share capital	3,028	75,203	26(3)
of which: Share premium	42,033,490	33,242,705	26(3)
Retained earnings	-18,559,167	-17,717,093	26(1)(c)
Accumulated other comprehensive income (and other reserves)	1,245,420	1,278,875	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	24,722,771	16,879,690	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-989	-989	34, 105
Intangible assets (net of related tax liability)	-9,965,076	-1,525,155	36(1)(b), 37
Losses for the current financial year	-1,850,737	-2,157,790	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	503,086	393,112	473a(8)
Deferred tax assets rely on future profitability	-18,499	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-312,710	-312,710	36(1)(k)(iii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-11,644,925	-3,603,532	
Common Equity Tier 1 (CET1) capital	13,077,846	13,276,158	
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	0	276,000	51, 52
of which: classified as equity under applicable accounting standards	0	276,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	172,478		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	172,478	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	172,478	276,000	
Tier 1 capital (T1 = CET1 + AT1)	13,250,324	13,552,158	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts		0	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	750,859		87, 88
Tier 2 (T2) capital before regulatory adjustment	750,859	0	

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

Tier 2 (T2) capital instruments	750,859	0	
Own funds (TC = T1 + T2)	14,001,183	13,552,158	
Total risk exposure amount	65,644,572	79,891,534	

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

Common Equity Tier 1	19.9%	16.6%	92(2)(a)
Tier 1	20.2%	17.0%	92(2)(b)
Total capital	21.3%	17.0%	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)	8.1%	8.1%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	1.1%	1.1%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	15.0%	11.7%	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)	0	0	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)	350,013	89,370	36(1)(c), 38, 48