Risk management and Capital Adequacy Report

Pillar 3 Report 2023

Klarna Holding AB (publ) (Corp. ID 556676-2356)

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1. Introduction

This Risk Management and Capital Adequacy Report 2023 is made according to the regulatory disclosure requirements set out in the Regulation (EU) No 575/2013. The regulation lays out prudential requirements for credit institutions and investment firms as amended by Regulation (EU) 2019/876 (the Capital Requirements Regulation or CRR) Part Eight and the Swedish Financial Supervisory Authority (SFSA) regulation FFFS 2014:12. The disclosure is made annually in conjunction with the publication of Klarna's Annual Report on Klarna's website (www.klarna.com). Unless otherwise stated, all figures have been rounded to the nearest million Swedish kronor. Disclosures on changes are based on exact values. In addition, for computational reasons, there may be rounding differences to the exact mathematical values in tables and references.

The Parent Company, Klarna Holding AB (publ), Corp. ID 556676-2356, maintains its registered office in Stockholm at the address Sveavägen 46, 111 34 Stockholm, Sweden. The consolidated financial statements for 2023 consist of the Parent Company and its subsidiaries, which together make up the Group.

1.1 Governance arrangements

The number of directorships held by members of the management body.
Michael Moritz: 8
Sebastian Siemiatkowski: 28
Sarah Smith: 7
Lise Kaae: 7
Mikael Walther: 30
Omid Kordestani: 3
Roger W. Ferguson Jr.: 12
Matt Miller: 10

Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise.
To ensure Klarna's Board members and CEO have the right skills, knowledge, and experience, the Board has adopted the Suitability, Training and Diversity Policy. This policy looks at the person's experience and reputation and makes sure they're a good fit for the company. It also evaluates their ability to commit the time and effort needed to do their job well. The Chief Operating Officer is responsible for the assessment at appointment and then subsequently at least every two years or sooner if events observed through the ongoing monitoring process suggest a review would be prudent. When a new Board member or a new CEO assumes their duties, they are also externally assessed by the SFSA.

Information on the diversity policy with regard to the members of the management body.
Klarna recognizes the importance of a diverse Board for effective performance and decision-making. Such diversity is essential for the Board's capability to comprehend and effectively operate in the diverse social, business, and cultural environments of the markets where Klarna functions and the range of activities the company undertakes.

The Suitability, Training and Diversity Policy adopted by the Board lays out the diversity requirements Klarna's Board is expected to meet. This policy emphasizes that all Board assignments should be made based on merit and with the goal of maintaining and enhancing the Board's overall effectiveness. In order to achieve this, the company looks for a wide range of qualifications and competencies, and places a strong emphasis on diversity in terms of age, gender, geographical background, and educational and professional experience.

Information whether or not the institution has set up a separate risk committee and the frequency of the meetings.
The Audit, Compliance & Risk Committee (ACRC) is responsible for oversight and preparation of all matters related to audit (both internal and external), compliance, risk and financial reporting and related internal control arrangements. The ACRC held 9 meetings in 2023 and provided regular updates to the Board on matters pertaining to its responsibilities.

Description on the information flow on risk to the management body.
In the Risk Policy, the Board has established how and when it shall receive information about Klarna's risks and risk management. The periodic, recurring risk reporting in Klarna provides reliable, current, complete, and timely information, thus reflecting the nature of different risk types as well as market developments. The Board, the ACRC, the CEO, and the Group Management Team, as well as other functions that require such information, receive regular reports on the status of risks and risk management to ensure they are aware of material risks and control weaknesses.

2. Risk management and risk organization

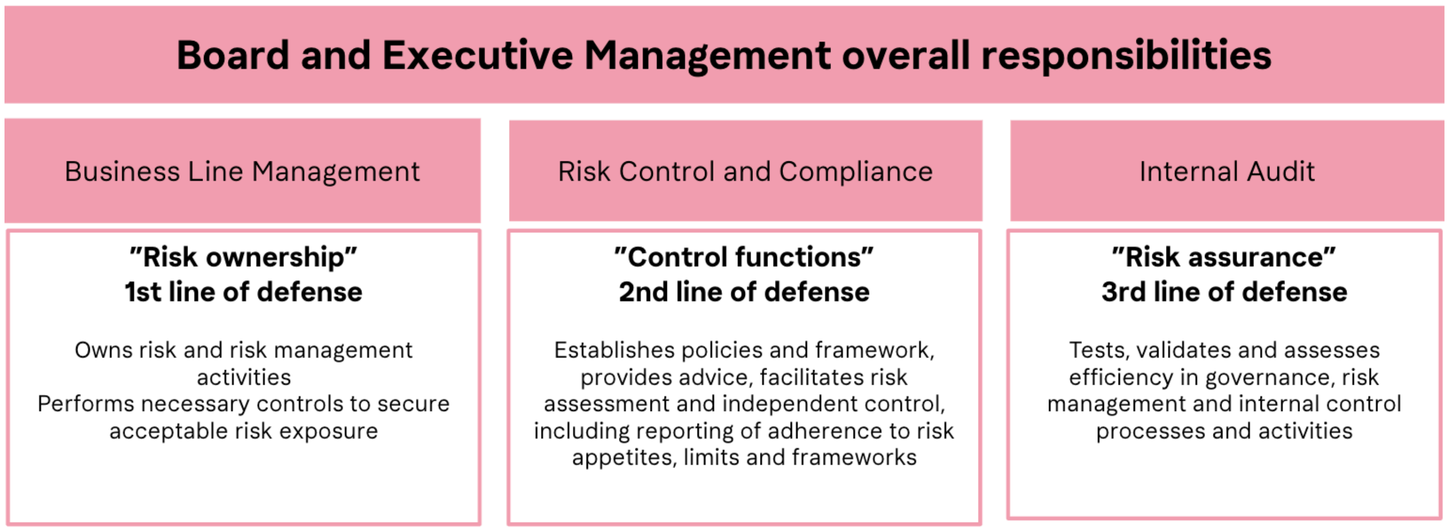
2.1 Risk management

Risk management is central to Klarna's operating model and underpins all activities conducted throughout the organization. The purpose of risk management is to safeguard Klarna's long-term viability, mitigate volatility in financial performance, enhance operational resilience and performance and facilitate informed decision-making.

Klarna's risk management governance model encourages a risk-aware culture combined with control structures which are monitored and enforced by independent control functions. Key controls are documented and assessed on a regular basis, with assessments considering both effectiveness of design and operation. The risk strategy is a natural extension of the business model that focuses on identification, assessment, management and monitoring of the material risks that Klarna is exposed to. The risk management process follows the internal Risk Policy and relevant routine

2.2 Risk Governance

Klarna operates a financial services industry standard three lines of defense model for risk management and control. The model allocates responsibilities of activities among teams or functions in three independent lines as outlined below:



The ultimate responsibility for risk management rests with the Board, which sets Klarna's risk appetite limits and policies establishing the principles for risk management. It also oversees and promotes a sound risk culture of risk awareness and understanding across the organization to encourage informed decision making. The Board is supported by the Audit, Compliance, and Risk Committee (ACRC) in performing their duties regarding risk management.

The Group Management Team is responsible for implementing the risk strategy. They are also accountable for the management of risks and within each of their areas of responsibility, and to promote a sound and effective risk culture across their teams and the Klarna as a whole.

Business Line Management, as the first line of defense, are responsible for the risks, and the management of these, within their respective area of responsibility. They are responsible for ensuring that the appropriate organization, procedures, and support systems are implemented to ensure a sufficient system of internal controls.

The second line of defense, consisting of the functions Risk Control, Compliance, and Engineering Assurance, oversee risk. These functions set the principles and framework for risk management, facilitate and challenge risk assessments, perform independent control testing, and report on adherence to risk appetites, limits and frameworks.

The control functions are independent of business line management. They attend and report to the Audit, Compliance and Risk Committee (ACRC), and the Board.

Internal Audit, as the third line of defense, provides risk assurance through independent periodic reviews of governance structures and control systems. This includes regular evaluation of Klarna's framework for risk management and a yearly review of the control functions in the second line of defense. Internal audit reports directly to the Board of directors.

2.3 Risk Strategy and Appetite

Klarna's risk strategy is set by the Board and outlines the nature of risks that the business is exposed to, its willingness to take these risks and how they are managed. It is formed through Klarna's business plan, established by Executive Management and approved by the Board; the Risk Policy, which forms the basis of Klarna's risk management framework; the Credit Policy which sets out Klarna's credit strategy; and the Internal Capital and Liquidity Adequacy Assessment Process.

The risk appetite framework outlined in the Risk Policy reflects Klarna's willingness to take and limit risk. The appetite is set by the Board and reviewed and updated regularly, at least on an annual basis. This annual review is an integral part of the annual business planning process, ensuring alignment of the business strategy, planned business activities and Klarna's risk exposures.

Klarna's risk appetite approach commences with an assessment of Klarna's risk capacity, the maximum level of risk Klarna is able to assume, and continues with the level of aggregate risk appetite that the Board is willing to accept. Limits are set on risk appetite metrics and reported on a monthly basis. Any limit breaches are escalated to the Board.

The Board and Executive Management also issue specific written policies and instructions for managing risks, which are complemented by detailed routine descriptions within the organization. The second line functions provide an independent assessment of Klarna's risk profile to Executive Management and the Board on at least a quarterly basis.

Klarna's risk taxonomy structure is summarized below in Figure 1.

Figure 1: Risk Taxonomy

Level 1

Credit risk	Market risk	Liquidity risk	Operational risk	ICT & Security risk	Business risk
Level 2					
Consumer credit	Currency	Funding	Change management	**Data breach** (confidentiality)	Strategic
Partner counterparty	Interest rate	Intraday liquidity	Conduct	**Data/ Service corruption and accuracy** (integrity)	ESG
Payment counterparty	Equity		External fraud	**Data destruction/ ICT Service disruption** (availability)	
Institutions, corporate and governmental counterparties			Financial crime		
			Financial Planning and Reporting		
			Internal fraud		
			People		
			Model		
			Legal		
			Third party		

__ESG__ = Environmental, Social and Governance, __ICT__ = Information and Communications Technology

Klarna has limited risk appetite for risks not directly associated with its core business model, and seeks to mitigate those risks (e.g. currency risk). As such Klarna's risk framework focuses on:

- Limiting the range of services offered, with significantly fewer financial services than multi-product banks

- Minimizing manual granting of credit, and maximizing standardization
- Setting clear limits on maximum credit amounts per consumer
- Setting clear limits for counterparty exposures
- Setting clear limits and minimizing risks from currency and interest rate risk exposures
- Short duration and small value credits for as many consumers within each country as possible.

Klarna integrates risk management into both business planning and ongoing business decisions. Klarna's approach to risk management considers both financial resilience and operational resilience as outcomes, in addition to customer impact/experience, Klarna's reputation and regulatory compliance.

2.4 Risks

Klarna categorizes the key risks it is exposed to into six types. These categories are subsequently further refined and managed within the organization. These risk categories form the basis of how Klarna identifies, assesses, manages, and reports against risk.

Credit risk is defined as: ***"the risk of loss due to a counterparty failing to meet its contractual obligations or concentrations in exposures."***

> Credit is fundamental to Klarna's mission of providing consumers a smoooth payment experience, better financial management, and supporting partners' growth. It is a risk that Klarna takes to achieve its business objectives.
>
> Klarna ensures that the consumer credit portfolio is resilient to volatile economic conditions by offering short duration credits and low average order value. Klarna limits the concentration of non-performing loans and large single exposures in the consumer credit portfolio. This, together with the dispersion of millions of customers across multiple countries and continents and low average order value, ensures that the consumer portfolio is diversified. Klarna takes precautions to ensure that approved consumers have the ability to pay their obligations.
>
> Exposures and losses stemming from partners, payment and bank counterparties are managed by limiting single exposures based on the risk class of the counterparty as well as the aggregated exposure and concentration to different segments. Exposures to partners are managed using mitigation tools to increase Klarna's collateral, such as payment delays, rolling reserves, insurances and withholding payments.
>
> Klarna uses financial guarantees to provide protection for part of its portfolio of consumer exposures. The guarantee can reduce the regulatory capital the bank is required to hold for unexpected losses and the guarantee is fully funded with eligible collateral.

Market Risk is defined as: ***"the risk of impacts on earnings or capital as a result of market price movements."***

> Klarna does not actively take market risk but due to its multi-currency business and different duration of its assets and liabilities is exposed to it. Klarna's exposure to interest rate risk is via a mismatch of terms in assets and liabilities. The risk arises where Klarna's funding has a different duration than the credits granted to consumers. Klarna seeks to mitigate this risk by matching assets and liabilities to reduce the risk to economic value and earnings.
>
> Currency risk is mitigated by entering into offsetting currency transactions in order to minimize the impact that changes in currency rates may have on Klarna's realized earnings.

Klarna does not invest in financial instruments other than for liquidity, interest rate, and currency risk management purposes. From time to time Klarna makes strategic investments in other companies to accelerate innovation and/or expand and improve its product offering. Equity risk, the risk that the value of these investments may increase or decrease, is a natural consequence of this activity. The risk of losses arises due to the potential for adverse price changes of an investment. This exposure is limited through Board mandates.

Liquidity Risk is defined as: ***"the risk of being unable to meet financial obligations as they fall due, or unable to fund operational needs without incurring unacceptable costs."***

Klarna is dependent upon the effective management of liquidity risk to realize the company's strategy. The risk of insufficient funding being available would have implications on future growth, the company's ability to meet financial obligations, and in an extreme scenario, the breach of regulatory limits.

Klarna is primarily exposed to liquidity risk due to the potential for unexpected increased demand for credits. There is a risk that Klarna does not have a sufficient capacity to acquire additional funding at a reasonable cost in a timely manner, or does not have sufficient levels of liquid assets to convert to cash during such times. Klarna keeps sufficient levels of liquidity at hand at all times, ensuring that sufficient funds are available to support the business and that regulatory requirements are adhered to.

Klarna actively manages its liquidity risk exposure and sources of liquidity by calculating, forecasting and managing the size of the High Quality Liquid Assets (HQLA) portfolio and the funding needs to ensure that Klarna always has the ability to fulfill its commitments as they fall due and meet regulatory requirements. Klarna invests in financial instruments for liquidity management purposes, and mostly in high credit quality sovereign and municipal government securities.

Operational Risk is defined as: ***"the risk of inadequate or failed processes, personnel, products or third parties."***

Operational risk is a natural consequence of Klarna's business model and operations. The continued delivery of Klarna's services to customers (partners and consumers) relies on resilience and stability in how processes, personnel, products, and third parties are managed. To manage these inherent risks Klarna operates a robust operational risk management framework.

Klarna maintains an operational risk management framework as outlined in the Operational Risk Policy. This is supported by more detailed risk specific approaches. On an annual basis, business critical products and services are identified and a risk assessment completed, including review of internal controls and identification of any additional mitigation activities required. This includes maintaining a business continuity plan to ensure continuation of services during a business continuity event.

To sustain operational delivery, outside of business continuity, a mandatory Incident management process provides a structured approach for continuous learning and improvement through analysis of past incidents.

A driver of operational risk is major change. Klarna operates a change management approval process (the NPA process) to ensure a sound understanding of the business change and capture associated risks. All major changes undergo a risk assessment led by the owner of the change to identify and assess the risks associated with the change, and to implement adequate controls and/or mitigation actions.

Klarna has no appetite for its products and services being misused for financial crime. It does not accept any deliberate, inadvertent or systemic breaches of applicable AML/CTF laws and regulations, or relevant sanctions regimes, as further elaborated in the AML & CTF Policy.

ICT and Security Risk is defined as: **"the risk of failures or breaches in information or communication systems or physical security including system outages, software failures, data breaches, and physical security breaches or cyber-attacks."**

Klarna is subject to ICT and security risk as a consequence of its business and operational processes. This risk can occur in several ways that can impact on one or more of the confidentiality, integrity or availability of data and systems such as stemming from human actions, system or technology failures or processes not operating as expected as well as adjusting to the continuously evolving cyber threat landscape.

Klarna uses many automated and standardized security measures in a layered approach to protect systems. To manage ICT and Security risks, Klarna maintains a specific ICT management framework. This includes regular IT security/vulnerability assessments and testing, ongoing system monitoring, software change management controls, strict access management controls and regular ICT and employee training, including security awareness training and exercises. Key ICT and Security risk controls are tested and measured at least annually through an independent assurance reporting audit as well as through the use of compliance as code.

Business Risk is defined as: **"the risk of suboptimal strategy selection or ESG factors impacting the achievement of Klarna's business objectives or altering the long term valuation or viability of the business."**

Klarna's strategy is delivered through its business plan, which enables an informed decision making process for assessing business risks. The business plan defines Klarna's objectives and the steps needed to reach those objectives and is designed to be resilient to changes in external economic and competitive conditions. Klarna aims for a sustainable strategy and business model and therefore expects to achieve the business plan with minimal variation.

As a part of the business planning cycle, Klarna assesses the up and down-side risks of the plan and considers the impact of competitor and market conditions to test the plans achievability under different circumstances. The achievement of the business plan is then reviewed monthly by the CXOs with updates on key financial and business metrics. Where Klarna sees opportunities or risks, it adjusts approaches as appropriate to preserve achievement of the plan.

ESG risks are identified through a periodic double materiality assessment to determine the key themes that could impact Klarna. Action plans are developed to further manage the individual risks.

To deliver its sustainable, global growth strategy in an efficient way, Klarna starts small with lower risk products that it can quickly test, iterate and scale. Launches of new products or markets go through a structured assessment and decision making process to ensure risks have been captured.

3. Capital adequacy

The following sections present the composition of Klarna's own funds and the regulatory capital requirements and regulatory capital buffers which it covers. The section also explains Klarna's own internal methods and assessment of the amount of capital needed to cover the risks Klarna is exposed to. Klarna is subject to capital requirements on two levels of its organization – that of Klarna Bank AB (publ) (excluding subsidiaries) and Klarna Holding AB (publ) Consolidated, and therefore the capital requirements and own funds are presented for both levels.

Template EU KM1 - Key metrics template

		a	e
		Dec 31, 2023	Dec 31, 2022
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	11,632	14,865
2	Tier 1 capital	11,809	15,292
3	Total capital	12,560	15,548
	Risk-weighted exposure amounts		
4	Total risk exposure amount	71,794	68,597
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	16.2%	21.7%
6	Tier 1 ratio (%)	16.4%	22.3%
7	Total capital ratio (%)	17.5%	22.7%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.9%	0.8%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.5%	0.4%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.7%	0.6%
EU 7d	Total SREP own funds requirements (%)	8.9%	8.8%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	1.0%	0.5%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	0.0%	0.0%
11	Combined buffer requirement (%)	3.5%	3.0%
EU 11a	Overall capital requirements (%)	12.4%	11.0%
12	CET1 available after meeting the total SREP own funds requirements (%)	11.2%	17.6%
	Leverage ratio		
13	Total exposure measure	131,831	119,462
14	Leverage ratio (%)	9.0%	12.8%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	29,208	25,800
EU 16a	Cash outflows - Total weighted value	16,145	13,434
EU 16b	Cash inflows - Total weighted value	29,208	23,151
16	Total net cash outflows (adjusted value)	4,036	3,358
17	Liquidity coverage ratio (%)	723.6%	768.0%
	Net Stable Funding Ratio		
18	Total available stable funding	117,493	104,846
19	Total required stable funding	59,978	59,598
20	NSFR ratio (%)	195.9%	175.9%

Template EU OV1 – Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		Dec 31, 2023	Dec 31, 2022	Dec 31, 2023
1	Credit risk (excluding CCR)	64,304	61,923	5,144
2	Of which the standardised approach	64,304	61,923	5,144
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU 4a	Of which equities under the simple risk weighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk - CCR	293	323	23
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	175	196	14
EU 8b	Of which credit valuation adjustment - CVA	118	127	9
9	Of which other CCR			
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)	1,784	1,389	116
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach	1,446	1,131	116
EU 19a	Of which 1250% / deduction	338	258	
20	Position, foreign exchange and commodities risks (Market risk)	1,217	1,478	97
21	Of which the standardised approach	1,217	1,478	97
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	4,535	3,742	363
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	4,535	3,742	363
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	641	375	74
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	71,794	68,597	5,744

3.1 Klarna's capital requirement

3.1.1 Components of Klarna's capital requirements

Klarna maintains a capital composition and level adequate for its risk and business model, and which fulfills the minimum regulatory requirements.

Klarna's risk based capital approach consists of the following components:

1. Pillar 1 minimum regulatory requirement for credit, credit valuation adjustment, market and operational risk.
2. Pillar 2 capital requirement for the risks Klarna is exposed to, but which are not covered, or deemed not sufficiently covered, by Pillar 1.
3. Capital conservation buffer: A buffer of 2.5% of the institution's risk-weighted exposure, intended to allow institutions to remain as a going concern in a deep financial crisis.
4. Countercyclical capital buffer: A buffer of 0-2.5% intended to ensure that sufficient capital is built up during favorable business conditions. Communicated quarterly by each national regulator and intended to ensure that institutions build up sufficient capital reserves during those parts of the credit cycle.

In addition to the requirements listed above Klarna holds any potential Pillar 2 guidance as communicated by the regulators. Any additional capital guidance communicated by the regulator is designed to cover risks not covered by other requirements above and to ensure the bank can absorb losses during a financial shock.

Furthermore, the internal capital stress test run in ICLAAP determines Klarna's potential need for a forward looking internal capital buffer on top of the requirements and guidance levels outlined above.

Klarna is also required to comply with the minimum leverage ratio requirement of 3% which became binding on 28 June 2021. Klarna also holds any potential Pillar 2 guidance as communicated by the regulators for the leverage ratio

3.1.2 Regulatory capital buffers

Two regulatory capital buffers apply to Klarna, the capital conservation buffer of 2.5%, and the countercyclical buffer.

As part of the Supervisory Review and Evaluation Process (SREP) the SFSA may impose additional Pillar 2 Guidance for capital requirements which is a bank-specific recommendation that indicates the level of capital which the regulator expects to maintain, in addition to binding capital requirements. This serves as an additional buffer for banks to withstand stress. As of 31 December 2023, Klarna has a Pillar 2 Guidance level of 3.5%

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
10	**Breakdown by country:**													
	Germany	21675				10813	40193	1338		77	1414	16916	27%	1%
	United States	18965					21776	1269			1269	16380	24%	0%
	Sweden	18491				3453	26586	1151		24	1174	14456	23%	2%
	United Kingdom	7895					7936	514			514	6432	10%	2%
	Norway	1956				1763	1993	120		11	132	1511	3%	3%
	Denmark	361					586	23			23	294	0%	3%
	Other countries	10720				670	15946	663		4	667	8490	0%	1%
20	**Total**	80,061				16,698	115,017	5,078		116	5,193	64,479	1.00	

Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	71,794
2	Institution specific countercyclical capital buffer rate	0.98%
3	Institution specific countercyclical capital buffer requirement	705

3.2 Capital regulatory environment

3.2.1 Current regulations

Capital adequacy refers to the ability of an institution's own funds to cover the risk it is exposed to. Within the EU the capital adequacy requirements are contained in the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR). These regulations are based on the global capital adequacy standards Basel II and III, and define minimum requirements for total own funds in relation to risk-weighted exposure amounts (Pillar 1), rules evaluating risk profiles and activities for determining if higher levels of capital requirements are needed (Pillar 2) and rules for disclosures on risk, capital adequacy etc. (Pillar 3).

The key capital adequacy regulations applicable for Klarna are the CRD and the CRR, which implements the Basel III accords in the European Union. The CRR contains provisions regarding eligible own funds and minimum capital requirements. This regulation, and lower level EU rules adopted pursuant to it, are directly binding to Klarna.

In addition to the minimum capital requirement, Klarna also needs sufficient own funds to cover for capital buffers, Pillar 2 requirements and Pillar 2 guidance, as defined in the CRD and implemented into national law through the Swedish Capital Buffers Act (Sw. *Lag (2014:966) om kapitalbuffertar*) together with the regulations issued by the SFSA, *Finansinspektionens föreskrifter om tillsynskrav och kapitalbuffertar (FFFS 2014:12)*, *Finansinspektionens föreskrifter om kontracykliskt buffertvärde (FFFS 2014:33)* and the SFSA Capital requirements memorandum.[1]

The EU and its member states have adopted the Banking Package which includes revisions of the CRR, CRD and the Bank Recovery and Resolution Directive (BRRD) which partly implements the final revisions of the Basel III framework.

Towards the end of 2020 the SFSA published changes in its relevant regulations and updated the SFSA Capital requirements memorandum in relation to the implementation of the Banking Package[2].

3.2.2 Coming regulations

In December 2017 the Basel Committee on Banking Supervision (BCBS) published the finalized Basel III framework, often referred to as the Basel IV package. The new package includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk, and the leverage ratio. The European Commission published its 2021 Banking Package which was designed to strengthen banks' resilience, and part of this package was the implementation of the final Basel reforms (Basel IV). Key amendments under Basel IV would be incorporated into the Capital Requirements Regulation, referred to as CRR3. CRR3 is intended to implement the Basel IV requirements which will ensure banks to not underestimate risks as part of their capital requirements calculation, ensuring that the capital required to cover those risks is sufficient. As a response to the COVID-19 crisis, the European Commission decided to postpone the implementation of the remaining parts of the Basel IV framework to 1st January 2023, and then again to 1st January 2025. There is expected to be no material increase in capital requirements for Klarna based on the implementation of Basel IV.

The Fundamental Review of the Trading Book (FRTB) is a comprehensive suite of capital rules developed by the BCBS as part of Basel III, intended to be applied to banks' wholesale trading activities. While Klarna does not have a trading book, a central theme of the FRTB is the boundary between the trading book and banking book. Klarna has assessed the new FRTB regulation and will ensure that its banking book positions are correctly reflected within the

[1] SFSA Memorandum FI Dnr 20-20990

[2] SFSA Memorandum FI dnr 20-20990 (ReplacingFI Dnr 14-6258 of 8 Sep 2014)

reporting framework. The new FRTB regulation will come into force on 1st January 2025 when the FRTB standards are adopted into the new CRR3.

The Corporate Sustainability Reporting Directive[3] (CSRD) requires companies to report on detailed information on their environmental and social activities. The CSRD will replace the Non-Financial Reporting Directive (NFRD), which Klarna is currently subject to. The aim of the CSRD is to increase a company's accountability, standardize framework for sustainability reporting, and ease the transition to a sustainable economy The CSRD introduces more detailed reporting requirements on sustainability matters such as environmental rights, social rights, human rights and governance factors and requires companies to consider how those factors both affect a company's business model, but also how the company's operations also affect and impact the environmental and social issues. Klarna will be required to report to CSRD standard in 2025 for financial year 2024. The Corporate Sustainability Due Diligence Directive (CS3D) (currently still at proposal stage), will introduce an obligation for companies in scope to conduct human rights and environmental due diligence on their operations, those of their subsidiaries and those of their value chain. In case of adverse impacts that could/should have been identified and prevented, companies will potentially face pecuniary sanctions and civil liability implications. The proposal is not specific to companies in the financial sector. Depending on the outcomes of ongoing discussions on scope, Klarna may be obliged to put in place systems and procedures to identify, prevent, mitigate and remedy actual and potential risks and adverse impacts in our operations and value chains. The proposed directive is expected to be adopted in 2024. The due diligence obligations will apply 2 years after the Directive is in force.

3.3 Own funds

Common Equity Tier 1 capital

During 2023, Common Equity Tier 1 for the consolidated situation of Klarna Holding AB (publ) decreased by SEK 3,233m as a result mainly from operating losses incurred during the year (SEK 2,332m)

Additional Tier 1 capital

On November 15, 2018, Klarna Holding AB (publ) issued EUR 25m in additional Tier 1 instruments which were redeemed on the first call date in November 2023.

On March 25, 2022, Klarna Bank AB (publ) issued SEK 276m in additional Tier 1 capital instruments. They have a floating coupon rate corresponding to STIBOR 3M plus 7.00% per annum. The securities were offered to a limited number of large Nordic investors and the first call date is March 25, 2027.

Subordinated liabilities

On July 5, 2018, Klarna Bank AB (publ) issued SEK 300m subordinated notes which were redeemed on the first call date in July 2023.

On May 16, 2023, Klarna Holding AB (publ) issued SEK 500m subordinated notes due 2033. The notes have a floating coupon rate corresponding to STIBOR 3M plus 7.5% per annum. The notes were allocated to a limited number of large Nordic investors and the first call date is May 16, 2028.

On August 16, 2023, Klarna Holding AB (publ) issued SEK 250m subordinated notes due 2033. The notes have a floating coupon rate corresponding to STIBOR 3M plus 7.5% per annum. The notes were allocated to a limited number of large Nordic investors and the first call date is August 16, 2028.

[3] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464

Following the issuances of AT1 and T2 capital instruments, Klarna's own funds has a composition of CET1, AT1 and Tier 2 capital that is efficient for Klarna's capital need in relation to both its business model and the requirements set in CRR Article 92.

In accordance with Article 85 and 87 of CRR Klarna Bank AB (publ)'s Tier 1 can only be included in the own funds of Klarna Holding AB (publ) Consolidated with the share required to cover the minimum capital requirements of Klarna Bank AB (publ). As of December 31, 2023 an amount of SEK 276m Additional Tier 1 capital instruments issued by Klarna Holding AB (publ) Consolidated and its subsidiaries were included in the own funds.

Template EU CC1 - Composition of regulatory own funds

		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	42,089	26(1), 27, 28, 29
	of which: Instrument type 1		
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	-18,559	26(1)(c)
3	Accumulated other comprehensive income (and other reserves)	590	26(1)
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		486(2)
5	Minority interests (amount allowed in consolidated CET1)		84
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend		
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	24,121	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-10,288	36(1)(b), 37
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-25	36(1)(c), 38
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		33(1)(a)
12	Negative amounts resulting from the calculation of expected loss amounts		36(1)(d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(1)(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in		36(1)(h), 43, 45, 46, 49(2) & (3), 79

Template EU CC1 - Composition of regulatory own funds

		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-338	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		
EU-20c	of which: securitisation positions (negative amount)	-338	
EU-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		36(1)(c), 38, 48(1)(a)
22	Amount exceeding the 17,65% threshold (negative amount)		48(1)
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(i), 48(1)(b)
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences		36(1)(c), 38, 48(1)(a)
EU-25a	Losses for the current financial year (negative amount)	-2,332	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		36(1)(j)
27a	Other regulatory adjustments	496	473a(8)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-12,489	
29	**Common Equity Tier 1 (CET1) capital**	11,632	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1		486(3)
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	177	85, 86
35	of which: instruments issued by subsidiaries subject to phase out		486(3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	177	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56(c), 59, 60 79

Template EU CC1 - Composition of regulatory own funds

		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		56(d), 59, 79
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		56(e)
42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**	177	
45	**Tier 1 capital (T1 = CET1 + AT1)**	11,809	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	751	62, 63
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		486(4)
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88
49	of which: instruments issued by subsidiaries subject to phase out		486(4)
50	Credit risk adjustments		62(c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	751	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(b)(i), 66(a), 67
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79
54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66(d), 69, 79
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**	751	
59	**Total capital (TC = T1 + T2)**	12,560	
60	**Total Risk exposure amount**	71,794	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	16.20%	92(2)(a)
62	Tier 1 capital	16.45%	92(2)(b)
63	Total capital	17.49%	92(2)(c)
64	Institution CET1 overall capital requirements	8.51%	CRD128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	

Template EU CC1 - Composition of regulatory own funds

		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
66	of which: countercyclical capital buffer requirement	0.98%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.53%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	11.17%	CRD 128
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36(1)(h), 45, 46, 56(c), 59, 60, 66(c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	111	36(1)(i), 45, 48
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	257	36(1)(c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	824	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		484(3), 486(2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements		484(4), 486(3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484(4), 486(3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements		484(5), 486(4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(5), 486(4) & (5)

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

Flexible template. Rows have to be disclosed in line with the balance sheet included in the audited financial statements of the institutions. Columns shall be kept fixed, unless the institution has the same accounting and regulatory scope of consolidation, in which case columns (a) and (b) shall be merged

		a	c
		Balance sheet as in published financial statements	**Reference**
		As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1	Cash and balances with central banks	21,973	
2	Treasury bills chargeable at central banks, etc.	7,267	
3	Loans to credit institutions	4,620	
4	Loans to the public	86,108	
	of which related to junior securitisation position	338	*EU-20c*
5	Bonds and other interest-bearing securities	506	
6	Other shares and participations	345	
7	Intangible assets	12,050	
	of which deducted from CET1	10,288	*8*
8	Tangible assets	1,228	
9	Deferred tax assets	282	
	of which deferred tax assets that rely on future profitability and do not arise from temporary differences	25	*10*
10	Other assets	2,702	
11	Prepaid expenses and accrued income	1,053	
12	Total assets	137,928	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
1	Liabilities to credit institutions	1,636	
2	Deposits from the public	97,096	
3	Debt securities in issue	651	
4	Deferred tax liabilities	5	
5	Other liabilities	11,926	
6	Accrued expenses and prepaid income	3,618	
7	Provisions	128	
8	Subordinated liabilities	751	*46*
9	Total liabilities	115,810	
Shareholders' Equity			
1	Share capital	3	
2	Additional Tier 1 Instruments	276	
3	Other capital contributed	42,092	
4	Reserves	576	
5	Retained Earnings	-18,545	

The table below outlines key features and the regulatory eligibility of Klarna Holding AB (publ) Consolidated and Klarna Bank AB (publ) capital instruments as of Q4 2023. Klarna holds common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments which are CRR compliant with article 28, article 52 and article 63 respectively.

Klarna does not have any outstanding capital instruments which are subject to the grandfathering rules as per article 494b of the CRR.

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

	Capital instruments main features	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
1	Issuer	Klarna Holding AB	Klarna Bank AB	Klarna Holding AB	Klarna Holding AB
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0003490770	SE0017767296	SE0020182236	SE0020552644
2a	Public or private placement	Public	Public	Public	Private
3	Governing law(s) of the instrument	Swedish law	Swedish law	Swedish law	Swedish law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	Yes	No	No
	Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated	Solo & Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital	Additional Tier 1 Capital Notes	Subordinated Tier 2 Capital Notes	Subordinated Tier 2 Capital Notes
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	SEK 19,372,837,370	SEK 176,895,365	SEK 505,520,227	SEK 245,582,598
9	Nominal amount of instrument	SEK 2,602,083	SEK 276,000,000	SEK 500,000,000	SEK 250,000,000
EU-9a	Issue price	N/A	100%	100%	97%
EU-9b	Redemption price	N/A	100%	100%	100%
10	Accounting classification	Shareholder's equity	Shareholder's equity	Liability - amortized cost	Liability - amortized cost
11	Original date of issuance	N/A	2022-03-25	2023-05-16	2023-08-16
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	No maturity	No maturity	2033-08-16	2033-11-16
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	2027-03-25	2028-05-16	2028-08-16

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

	Capital instruments main features	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
16	Subsequent call dates, if applicable	N/A	Every quarter falling after the first call date	Any day within the initial call period, meaning the period commencing on the first call date and ending on (and including) the interest payment date falling on or immediately after three (3) months of the first call date. Thereafter every quarter falling after the end of the initial call period.	Any day within the initial call period, meaning the period commencing on the first call date and ending on (and including) the interest payment date falling on or immediately after three (3) months of the first call date. Thereafter every quarter falling after the end of the initial call period.
	Coupons / dividends				
17	Fixed or floating dividend/coupon	N/A	Floating	Floating	Floating
18	Coupon rate and any related index	Fully discretionary	STIBOR 3M + 7.00%	STIBOR 3M + 7.5%	STIBOR 3M + 7.5%
19	Existence of a dividend stopper	No	No	No	No
EU-20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory	Mandatory
EU-20 b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	N/A	Non-convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	No	Yes	No	No
31	If write-down, write-down trigger(s)	N/A	CET1 ratio falls below 5.125% for Klarna Bank AB or 7% for the Consolidated situation of Klarna Bank AB	N/A	N/A
32	If write-down, full or partial	N/A	Fully or partially	N/A	N/A
33	If write-down, permanent or temporary	N/A	Temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	Fully discretionary	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A
EU-34 b	Ranking of the instrument in normal insolvency proceedings	1st	2nd	3rd	3rd

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

	Capital instruments main features	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2	Senior Debt	Senior Debt
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	https://www.klarna.com/assets/sites/15/2022/03/28062021/AT1-2022-Terms-and-Conditions.pdf	https://assets.ctfassets.net/4pxjo1vaz7xk/3qBt8n3Unu6ut2T63PsAXV/ad421de7ff6041139c6b17c341955b77/Terms_and_Conditions_-_Klarna_Holding_Tier_2.pdf	N/A

3.4 Regulatory minimum capital requirements

The approach for determining Klarna's Pillar 1 capital is defined in the CRR, according to which Klarna is required to hold capital for credit risk, CVA, market risk, and operational risk.

3.4.1 Credit risk

Klarna applies the standardized method for calculating the risk exposure amount for credit risk in accordance with Part three, Title II, Chapter 2 of the CRR. Klarna is also required to hold capital to cover for counterparty credit risk (CCR) for the derivative exposures in its banking book. Klarna uses the Simplified Standardized Approach for counterparty credit risk as per CRR Article 281 to calculate this capital charge. Credit risk constitutes 90% of Klarna's Risk Exposure Amount "REA" and amounted to SEK 52,259m as of December 31, 2023.

3.4.2 Credit Value Adjustment

Credit valuation adjustment (CVA) is an adjustment to the mid-market valuation of the exposure towards a counterparty, required by the CRR. The adjustment reflects the current market value of the credit risk of the counterparty to the bank. The CVA was SEK 118m in REA per year-end 2023.

3.4.3 Market risk

Klarna applies the standardized method for calculating the capital requirement for market risk, in accordance with the CRR, Part 3, Title IV, Chapter 3. Under this method, Pillar 1 capital requirements are estimated for position risk, currency risk and commodities risk. Of these, Klarna is only exposed to currency risk in the banking book.

3.4.4 Operational, ICT and security risk

Klarna uses the Alternative Standardized Approach (ASA), in accordance with CRR, Part 3, Title III, Chapter 3, for calculating the capital requirement for operational risk in Pillar 1. The ASA was first applied at the end of December 2019 after receiving approval by the SFSA.

3.5. Internally assessed capital need

The objective of the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (combined known as ICLAAP) is to ensure that Klarna clearly and correctly identifies, assesses, and manages all risks to which it is exposed. The process considers the financial resources required to cover those risks, and to ensure that Klarna has access to sufficient capital and liquidity to support its business strategy over the coming planning horizon with regards to different market conditions. The Board sets a policy governing the ICLAAP. The Board also sets limits and targets for Klarna's capital levels to ensure a sound margin to regulatory requirements and sufficient capitalisation to support Klarna's business plan.

The internally assessed capital need under Pillar 2 should cover all risks Klarna is exposed to that are not, or not sufficiently, covered by Pillar 1. The internally assessed required capital is based on the minimum capital requirement (Pillar 1) and additional capital required for other risks as determined as part of the ICLAAP (Pillar 2) as well as the combined buffer requirements and the Pillar 2 Guidance amount as determined by the SFSA.

The internally assessed required capital as of year-end 2023 amounts to SEK 11,513m (SEK 9,677m for 2022) for Klarna Bank AB (publ) and SEK 9,074m (SEK 8,230m for 2022) for Klarna Holding AB (publ). Klarna thereby has sufficient capital to cover for required capital under Pillar 1, including combined buffer requirements, and Pillar 2 Requirement and Pillar 2 Guidance.

Klarna's internal capital assessment is divided into two different assessments:

1. Pillar 2 capital need
2. Internal capital buffer

Klarna's internally assessed capital need covers credit risk, credit concentration risk, market risk, including interest rate risk in the banking book, operational risk, and business risk. Klarna does not have any pension risk since Klarna does not have any defined benefit pension plans. The total internally assessed capital add-on amounts to SEK 830m (SEK 672m for 2022) over and above the Pillar 1 requirements.

Klarna is permitted to also hold Tier 1 and Tier 2 capital to cover the Pillar 2 capital requirement. The proportion of Additional Tier 1 and Tier 2 capital may not exceed that permitted for Pillar 1 capital. Accordingly, the proportions should be at least 3/4 covered by Tier 1 and of the Tier 1 capital, 3/4 should be CET1 capital. Regulatory buffers and Pillar 2 guidance should be covered by CET1 capital.

The exposure weighted requirement for CET1 and Tier 1 capital is 68% and 82% respectively, and the available type of capital to cover is 93% CET1 and 94% Tier 1. Klarna has a sufficient proportion of CET1 and TIer 1 capital to cover the requirements.

3.5.1 Stress test and internal buffers

As stipulated in the CRD and in the EBA/GL/2018/04, Klarna completes stress scenarios that test Klarna's capital ability to withstand shocks including mitigating actions. Should additional capital be required within the stressed scenarios, Klarna would add an internal buffer to cover that capital need.

3.6. Leverage ratio

In parallel with the risk based capital requirement Klarna also has a leverage ratio requirement. The minimum leverage ratio requirement of 3% became binding in June 2021. In addition to the minimum requirement, a Pillar 2 Requirement and a Pillar 2 guidance on leverage ratio may be imposed. As at December 31, 2023, there is an additional Pillar 2 Guidance of 3% in relation to the leverage ratio on top of the minimum requirement.

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a
		Applicable amount
1	Total assets as per published financial statements	137,928
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustment for derivative financial instruments	335
9	Adjustment for securities financing transactions (SFTs)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,520
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-1
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	-9,950
13	**Total exposure measure**	131,831

Template EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		Dec 31, 2023	Dec 31, 2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	137,549	125,393
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	-10,157	-10,227
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	127,392	115,166
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)		
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	32	71
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions		
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	887	941
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	920	1,012
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**		
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	15,424	16,383
20	(Adjustments for conversion to credit equivalent amounts)	-11,904	-13,630
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	3,520	2,753
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		

Template EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		Dec 31, 2023	Dec 31, 2022
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	(Total exempted exposures)		
Capital and total exposure measure			
23	**Tier 1 capital**	11,809	15,291
24	**Total exposure measure**	131,831	119,462
Leverage ratio			
25	Leverage ratio (%)	8.96%	12.80%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.96%	12.80%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.96%	12.80%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	131,831	119,462
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	131,831	119,462
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.96%	11.80%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.96%	11.80%

Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	137,549
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	137,549
EU-4	Covered bonds	506
EU-5	Exposures treated as sovereigns	29,652
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	
EU-7	Institutions	4,850
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	63,276
EU-10	Corporates	6,913
EU-11	Exposures in default	567
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	31,785

3.7 Scopes of Consolidation

Template EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Cash and balances with central banks	21,973	21,973	21,973				
2	Treasury bills chargeable at central banks, etc.	7,267	7,267	7,267				
3	Loans to credit institutions	4,620	4,620	4,620				
4	Loans to the public	86,108	86,108	69,145		16,963		
5	Bonds and other interest-bearing securities	506	506	506				
6	Other shares and participations	345	345	345				
7	Intangible assets	12,050	12,050	1,704				-10,346
8	Tangible assets	1,228	1,228	1,228				
9	Deferred tax assets	282	282	257				-25
10	Other assets	2,702	2,702	2,118	584			
11	Prepaid expenses and accrued income	845	845	845				
12	**Total assets**	**137,928**	**137,928**	**110,009**	**584**	**16,963**	**0**	**-10,371**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Liabilities to credit institutions	1,636	1,636					1,636
2	Deposits from the public	97,096	97,096					97,096
3	Debt securities in issue	651	651					651
4	Deferred tax liabilities	5	5					5
5	Other liabilities	11,926	11,926		268			11,658
6	Accrued expenses and prepaid income	3,618	3,618					3,618
7	Provisions	128	128					128
8	Subordinated liabilities	751	751		751			751
9	**Total liabilities**	**115,810**	**115,810**	**0**	**1,019**	**0**	**0**	**115,543**

Template EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**137,928**	110,009	16,963	584	
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**115,810**			268	
3	**Total net amount under the scope of prudential consolidation**	**137,928**	110,009	16,963	584	
4	**Off-balance-sheet amounts**	**15,317**	15,317			
5	*Differences in valuations*					
6	*Differences due to different netting rules, other than those already included in row 2*					
7	*Differences due to consideration of provisions*					
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*					
9	*Differences due to credit conversion factors*	-11,724	-11,724			
10	*Differences due to Securitisation with risk transfer*					
11	*Other differences*					
12	**Exposure amounts considered for regulatory purposes**	141,521	113,602	16,963	584	

Template EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
		Method of prudential consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
Hero Towers Limited	*Full consolidation*	*X*					*Other type of entity*
Klarna Australia Holding Pty Ltd	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Australia Pty Ltd	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Austria GmbH	*Full consolidation*	*X*					*Other type of entity*
Klarna B.V.	*Full consolidation*	*X*					*Other type of entity*
Klarna Bank AB (publ)	*Full consolidation*	*X*					*Credit Institution*
Klarna Belgium	*Full consolidation*	*X*					*Other type of entity*
Klarna Canada Limited	*Full consolidation*	*X*					*Other type of entity*
Klarna Commercial Consulting (Shanghai) Co., Ltd.	*Full consolidation*	*X*					*Other type of entity*
Klarna Financial Services UK Ltd	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Germany Holding GmbH	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Glazing II LLC	*Full consolidation*	*X*					*Other type of entity*
Klarna Holding AB	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Inc	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Italy S.r.l.	*Full consolidation*	*X*					*Other type of entity*
Klarna Japan KK	*Full consolidation*	*X*					*Financial institution (other)*
Klarna MAS AB	*Full consolidation*	*X*					*Other type of entity*
Klarna Midco AB	*Full consolidation*	*X*					*Financial institution (other)*
Klarna New Zealand Limited	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Norge AS	*Full consolidation*	*X*					*Other type of entity*
Klarna OY	*Full consolidation*	*X*					*Other type of entity*
Klarna Payments, S.A. de C.V	*Full consolidation*	*X*					*Other type of entity*
Klarna Poland sp. z o.o.	*Full consolidation*	*X*					*Other type of entity*
Klarna Securities AB	*Full consolidation*	*X*					*Financial institution (other)*
Klarna Spain S.L	*Full consolidation*	*X*					*Other type of entity*
Klarna UK Limited	*Full consolidation*	*X*					*Other type of entity*
Larkan AB (publ)	*Full consolidation*	*X*					*Financial institution (other)*
Larkan Holding AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan III AB	*Full consolidation*	*X*					*Financial institution (other)*

Template EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
		Method of prudential consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
Larkan IV AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan IX AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan V AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan VI AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan VII AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan VIII AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan X AB	*Full consolidation*	*X*					*Financial institution (other)*
Larkan XI AB	*Full consolidation*	*X*					*Financial institution (other)*
PriceRunner Computer Technology Co.,Ltd	*Full consolidation*	*X*					*Other type of entity*
PriceRunner Denmark ApS	*Full consolidation*	*X*					*Other type of entity*
PriceRunner GmbH	*Full consolidation*	*X*					*Other type of entity*
Pricerunner Group	*Full consolidation*	*X*					*Other type of entity*
PriceRunner Group AB	*Full consolidation*	*X*					*Financial institution (other)*
PriceRunner Holding AB	*Full consolidation*	*X*					*Financial institution (other)*
PriceRunner International AB	*Full consolidation*	*X*					*Other type of entity*
PriceRunner Ltd	*Full consolidation*	*X*					*Other type of entity*
PriceRunner Sweden AB	*Full consolidation*	*X*					*Other type of entity*
Prisguiden AS	*Full consolidation*	*X*					*Other type of entity*
Sofort GmbH	*Full consolidation*	*X*					*Financial institution (other)*
Stocard GmbH	*Full consolidation*	*X*					*Financial institution (other)*
Stocard Pty Ltd	*Full consolidation*	*X*					*Other type of entity*
Stocard UK Limited	*Full consolidation*	*X*					*Other type of entity*

4. Credit risk

Credit risk, defined as the risk of financial loss due to a counterparty failing to meet its contractual obligations or concentrations in exposure. Klarna is mainly exposed to credit risk from four sources:

- Lending to consumers who choose to buy using Klarna's payment methods. This is the most significant source of credit risk for Klarna.
- Exposure to distribution partners and merchants that Klarna partners with and processes payments for. These exposures are primarily off-balance sheet in the form of contingent liabilities. If a partner closes down or becomes insolvent, there is a risk that Klarna will potentially be unable to offset any subsequent returns from consumers against payments due from the partner to Klarna. On-balance exposures mainly consist of merchant trade receivables.
- Exposure towards third party payment service providers who acquire and issue payments on Klarna's behalf.
- Exposure to credit institutions, governments and municipalities. This includes investments for the liquidity portfolio and derivative and repurchase agreements entered into to manage financial risk.

A key aspect of Klarna's credit risk is the quick turnover of the loan portfolio and that it primarily consists of short term and well diversified consumer credits with a small average loan size.

4.1 Credit risk management

Klarna has a robust approach to credit risk management. It is founded in the three lines of defense model (see section 2.2) and supported by internal policies, instructions, and routines. Klarna's credit risk appetite and associated limits are decided by the Board and cover aspects such as acceptable loss levels, the composition of the credit portfolio, its diversification, and concentration. The Board's credit risk appetite limits set the outer limits within which the organization must operate. The limits are translated into more granular operational limits used in Klarna's underwriting. Risk Control, within the second line of defense, is responsible for the continuous independent monitoring and reporting of the Board's credit risk appetite limits and for the escalation of breaches.

Consumer credit risk management
In order to mitigate the credit risk from individual consumers, Klarna has established credit risk management processes. Klarna uses proprietary scoring models to perform credit assessments and monitors consumers repayment performances as well as expected losses continuously. In addition to the scoring models, manual and automated processes are in place to detect potential fraudulent behavior and credit abuse. A limit-framework is set towards the risk appetite for respective products and commercial regions. With the short average credit duration, changes in the underwriting strategies are implemented swiftly and effectively whenever lending conditions change contributing to resilience in difficult macroeconomic environments.

Klarna's reporting of consumer credit risks follows established processes and escalation routines covering relevant metrics focusing on individual, cohort and portfolio level. Decision processes follow a clear governance and committee structure. Management and the Board also receive regular reporting on credit risk.

Partner counterparty risk management
Klarna works proactively with tracking, controlling, and mitigating partner (merchants and other distribution partners) credit risks including by providing longer payment delays on settlement payments towards merchants. This is done via contractual agreements, guarantees, actively withholding settlements, or by entering into insurance programs. Klarna has a Partner Counterparty Risk function that, among other tasks, assesses merchants' credit worthiness before they are onboarded, and periodically throughout the life of the partnership. The financial status of Klarna's largest merchant credit risks is also tracked on an individual basis. Partner counterparty risk assessments

are based on a combination of qualitative and quantitative factors that are considered, weighted, and calculated using an internal risk classification model. If a partner's credit risk is deemed outside the risk appetite, counter measures are taken to ensure that cooperation can continue under modified and acceptable terms.

Other credit risk management

Klarna manages exposures towards third party payment service providers, credit institutions, governments, and municipalities by selecting high quality counterparties, setting exposure limits based on counterparty credit risk assessments, and individual limits for particular counterparties.

Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	110,867	2,241		2,241	
2	Debt securities	7,774	0	0	0	
3	Total	118,641	2,241	0	2,241	
4	*Of which non-performing exposures*	601	0	0	0	
EU-5	*Of which defaulted*	601				

Template EU CR4 – standardised approach – Credit risk exposure and CRM effects

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	22,927		23,192		0	0.00%
2	Regional government or local authorities	2,683		2,683		0	0.00%
3	Public sector entities	1,163		1,163		0	0.00%
4	Multilateral development banks	1,777		1,777		0	0.00%
5	International organisations	1,102		1,102		0	0.00%
6	Institutions	4,850	2,272	4,586	454	1,008	20.00%
7	Corporates	6,913	12,382	6,913	2,476	9,149	97.43%
8	Retail	63,276	662	63,276	662	47,953	75.00%
9	Secured by mortgages on immovable property						
10	Exposures in default	567	0	567	0	620	109.45%
11	Exposures associated with particularly high risk						
12	Covered bonds	506		506		51	10.00%
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings						
15	Equity	345		345		742	214.87%
16	Other items	4,395		4,395		4,780	108.76%
17	**TOTAL**	110,505	15,317	110,505	3,593	64,304	56.36%

Template EU CR5 – standardised approach

		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	23,192															23,192	
2	Regional government or local authorities	2,683															2,683	
3	Public sector entities	1,163															1,163	
4	Multilateral development banks	1,777															1,777	
5	International organisations	1,102															1,102	
6	Institutions	0				5,910											5,910	
7	Corporates		157								9,283						9,440	9,440
8	Retail exposures									63,938							63,938	63,938
9	Exposures secured by mortgages on immovable property																0	
10	Exposures in default										460	107					567	567
11	Exposures associated with particularly high risk																0	
12	Covered bonds				506												506	
13	Exposures to institutions and corporates with a short-term credit assessment																0	
14	Units or shares in collective investment undertakings																0	
15	Equity exposures										81		265				345	345
16	Other items	0									4,139		257				4,395	4,395
17	**TOTAL**	29,916	157		506	5,910				63,938	13,962	107	521				115,017	78,686

4.2 Credit risk exposures and capital need

4.2.1 Regulatory capital requirement for credit risk

The Pillar 1 minimum capital requirement for credit risk is based on the standardised approach according to prudential requirements as defined in CRR.

The credit risk of derivative transactions was calculated using the Original Exposure Method (OEM) as per articles 273a and 282 of the CRR. As of December 2022, Klarna adopted the Simplified Standardized Approach to Counterparty Credit Risk (SSA-CCR) due to the continuing growth of its derivative portfolio in which the threshold set in article 273a(2)(b) was exceeded.

Credit default risk is included in the Pillar 1 capital requirement. As a part of ICLAAP, Klarna uses internal Pillar 2 capital models for credit risk which take into account historical and stressed credit losses, exposures, internal metrics, quantitative and qualitative factors, risk mitigations and external benchmarks as deemed appropriate. The outcome of these methods is used to validate that the level of capital held under Pillar 1 is sufficient.

Concentration risk arises when exposures are less than perfectly diversified over obligors, industry sectors, geographic markets or other risk drivers, and the resulting correlation of obligor behavior creates an increased risk of worst case losses. As this risk is not reflected in Pillar 1 capital requirements, Klarna sets aside additional capital for this under Pillar 2.

4.3 Securitization

Klarna entered into its inaugural significant risk transfer (SRT) transaction in June, 2022 and multiple further SRT transactions during 2023. The transaction allows Klarna to strategically and effectively manage its credit risk. The SRT transactions contribute to sound risk management by reducing the credit risk exposure on the underlying exposures.

Klarna acts as the originator in the transactions, whereby a selected portfolio of loans is securitized into a junior, mezzanine and senior tranche structure. In the securitization structures, Klarna retains the senior and junior tranches while a funded credit protection is acquired on the mezzanine tranche in the form of a financial guarantee.

The financial guarantee is granted from a Securitisation special purpose entity (SSPE) that takes on the associated credit risk, but not legal ownership of the loans. Klarna makes periodic premium and risk transfer protection payments to the SSPE that issues credit linked notes to third parties.

The structures are treated as a synthetic securitization exposure in the banking book, in accordance with article 245 of the CRR. Under a synthetic securitisation is no sale or transfer of the underlying assets, but rather a transfer of economic risk, resulting in the loans remaining on Klarna's balance sheet.

The securitizations qualify as simple, transparent and standardized (STS) securitizations as per the securitisation regulation, and are calculated according to the standardized approach for capital adequacy purposes, in accordance with articles 261 and 262 of the CRR.

The securitizations achieve SRT under the relevant regulations (Regulation (EU) No 575/2013 (“CRR”) and Regulation (EU) No 2017/2402 (“SR”)). Klarna has an internal significant risk transfer policy which establishes principles for the effective and robust assessment, monitoring and management of significant risk transfer transactions throughout the Klarna Holding AB (publ) Consolidated. The policy ensures Klarna remains compliant with regulatory requirements on SRT for both traditional and synthetic securitizations for capital adequacy purposes.

Template EU-SEC1 - Securitisation exposures in the non-trading book

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional			Sub-total	Traditional			Sub-total
		STS		Non-STS												
							of which SRT		STS	Non-STS	Synthetic		STS	Non-STS	Synthetic	
1	**Total exposures**					14,796	14,796	14,796								
2	Retail (total)					14,796	14,796	14,796								
3	residential mortgage															
4	credit card															
5	other retail exposures					14,796	14,796	14,796								
6	re-securitisation															
7	Wholesale (total)															
8	loans to corporates															
9	commercial mortgage															
10	lease and receivables															
11	other wholesale															
12	re-securitisation															

Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
1	**Total exposures**								14,796				1,446				338	
2	Traditional transactions																	
3	Securitisation																	
4	Retail																	
5	Of which STS																	
6	Wholesale																	
7	Of which STS																	
8	Re-securitisation																	
9	Synthetic transactions								14,796				1,446				338	
10	Securitisation								14,796				1,446				338	
11	Retail underlying								14,796				1,446				338	
12	Wholesale																	
13	Re-securitisation																	

Template EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
1	**Total exposures**	17,036	54	
2	Retail (total)	17,036	54	
3	residential mortgage			
4	credit card			
5	other retail exposures			
6	re-securitisation			
7	Wholesale (total)			
8	loans to corporates			
9	commercial mortgage			
10	lease and receivables			
11	other wholesale			
12	re-securitisation			

4.4 Product breakdown

Klarna's consumer credit portfolio is characterized by fast growth and issuance of loans with short average duration. A large share of the assets are originated and repaid intra-month and thus do not appear on the balance sheet in a month on month comparison. As a consequence credit risk is to a large extent incurred by new origination. This, combined with the ability to adjust underwriting criteria, gives Klarna control over both the credit quality and the size of the balance sheet.

Pay Later consists of four alternatives depending on market preferences, usually the consumer can choose to pay within 30 days without interest but payment terms can be longer.

Financing is for the consumer who wants to pay over time in installments. It is a fixed part payment or flexible where the customer at his own pace determines how much is to be paid each month (though with a fixed minimum amount).

Prepayment options are for the consumers who want to pay for the goods directly at point of purchase. These are not consumer credit products but can carry short term credit risk due to the time lag between purchase initiation and settlement.

4.5 Credit concentration and geographical breakdown

Klarna's consumer credit portfolio is geographically diversified in more than 22 countries as of year-end 2023. Germany, Sweden and the UK combined constitute more than 60% of the portfolio. Within Klarna the countries are further grouped into regions such as Nordics (Sweden, Norway, Finland, Denmark), DACH (Germany, Austria, Switzerland), US, UK and and others.

Large exposures towards single counterparties are monitored closely by the relevant business units. These arise mainly from financial counterparties for liquidity and risk management purposes (see Section 4.7) and transactions with third party payment service providers who acquire payments on Klarna's behalf. Concentrations towards large counterparties, geographical locations and industries are monitored closely and included in the internally assessed capital need as described in section 4.2.1.

4.6 Past due exposures, provisions and credit losses

Consumer credit losses are driven by different factors and the main aspects can be divided into:

- Consumers are unable to meet their obligations as a result of personal financial difficulties.
- Consumers who never intended to meet their obligations (1st party fraud).
- Identity theft and fraud which are managed alongside credit losses and are an everyday consequence of digital lending.

As stated before, Klarna has control of the credit quality by underwriting every transaction in real-time using proprietary scoring models that naturally adapt to a deterioration in credit quality in the client base.

Provisions

While it is never possible to foresee the exact loss level in advance, a credit institution can forecast loss rates with a reasonable level of confidence. These loss rates are referred to as Expected Credit Losses (ECL) and are generally seen as the cost equivalent for doing business and are widely used as a means for provisioning for credit losses.

Klarna calculates & holds provisions to cover for expected credit losses (ECL) in line with the IFRS 9 framework for loans to the public, loans to credit institutions, financial guarantees, and commitments and groups its financial assets and off-balance sheet items into stages within the scope of the IFRS 9 impairment requirements.

The ECL allowance is based on either the 12 months' expected credit loss (12m ECL) or on the lifetime expected credit loss (lifetime ECL) of an exposure. The ECL allowance is based on the latter if there has been a significant increase in credit risk since initial recognition.

Lifetime ECL and 12m ECL are calculated on a collective basis. When calculating ECL on a collective basis, the ECL components are calculated based on segmentation based on homogeneous risk characteristics.

The probability of default (PD) component is segmented by geographical region, instrument type, and days since origination. The loss given default (LGD) component is dependent on geographical region, retailer type, days past due, and, in some cases, recoveries from the sale of non-performing portfolios. These PD and LGD estimates are obtained for each of the segment permutations, which is used to calculate the ECL on a collective basis. Since collateral is not held as security, it is not part of the ECL calculations.

An exposure is considered in default when the asset has been 90 days or more past due without any payments, has entered debt collection, or is classified as fraudulent. Whether the default criteria are met is determined by analyzing historical payment patterns and assessing whether there is no realistic expectation of recovery.

The tables below display performing and non-performing exposures measured at amortized cost and allocated to stages according to IFRS9, for year-end 2023. Stage 3 balances are mainly built up by the consumer credit portfolio. Simplified Approach balances are built up by on-balance merchant counterparty credit risk portfolio. Klarna measures the consumer credit NPL (non-performing loan) rate as a key metric and tracks development towards the internal management and Board limit. During 2023 Klarna continued to strengthen the controls to improve the NPL ratio given the strong focus on expansion after a period of stringent consumer lending during the Covid pandemic in 2020.

Credit losses

Klarna's business model, with short average maturity and high credit turnover, results in relatively low loan losses in comparison to the total lending volume over the full financial year. Credit losses as a percentage of total gross merchandise volume decreased across all major markets in 2023

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
5	Cash balances at central banks and other demand deposits	24,671	24,671										
10	Loans and advances	90,078	87,074	3,003	1,857	544	1,034	158	44	77	1		1,857
20	*Central banks*												
30	*General governments*												
40	*Credit institutions*	1,929	1,929										
50	*Other-financial corporations*	4,250	4,244	5	2	0	1	0	0	0			2
60	*Non-financial corporations*	1,484	1,210	274	347	184	55	58	24	26	0		347
70	*Of which SMEs*	247	220	27	52	33	4	8	3	4	0		52
80	*Households*	82,415	79,691	2,724	1,508	360	978	99	20	51	0		1,508
90	Debt securities	7,774	7,774										
100	*Central banks*												
110	*General governments*	2,982	2,982										
120	*Credit institutions*	4,792	4,792										
130	*Other-financial corporations*												
140	*Non-financial corporations*												
150	Off-balance-sheet exposures	15,423			0								0
160	*Central banks*												
170	*General governments*												
180	*Credit institutions*	2,274											
190	*Other-financial corporations*	861											
200	*Non-financial corporations*	11,612			0								0
210	*Households*	677											
220	***Total***	137,946	119,519	3,003	1,858	544	1,034	158	44	77	1	0	1,858

Template EU CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
10	***On-balance-sheet exposures***	***99,709***	***1,857***	***1,857***	***99,709***	***-3,498***		
20	*Germany*	30,189	670	670	30,189	-734		
30	*United States*	21,160	407	407	21,160	-1,351		
40	*Sweden*	13,565	101	101	13,565	-152		
50	*United Kingdom*	12,010	186	186	12,010	-497		
60	*Norway*	3,712	107	107	3,712	-59		
70	*Other Countries*	19,073	386	386	19,073	-705		
80	***Off-balance-sheet exposures***	**15,424**	**0**	**0**			**-107**	
90	*Germany*	4,176	0	0			-50	
100	*United States*	2,698	0	0			-20	
110	*Sweden*	2,413	0	0			-19	
120	*United Kingdom*	1,292	0	0			-7	
130	*Norway*	507	0	0			-1	
140	*Other Countries*	4,337	0	0			-10	
150	***Total***	**115,132**	**1,857**	**1,857**	***99,709***	**-3,498**	**-107**	

Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		a	b	c	d	e	f
		Gross carrying amount					
			Of which non-performing		Of which loans and advances subject to impairment		Accumulated negative changes in fair value due to credit risk on non-performing exposures
				Of which defaulted		Accumulated impairment	
10	Agriculture, forestry and fishing	1	0	0	1	0	
20	Mining and quarrying	0	0	0	0	0	
30	Manufacturing	2	0	0	2	0	
40	Electricity, gas, steam and air conditioning supply	0	0	0	0	0	
50	Water supply	0	0	0	0	0	
60	Construction	7	1	1	7	-1	
70	Wholesale and retail trade	1,537	332	332	1,537	-319	
80	Transport and storage	2	0	0	2	0	
90	Accommodation and food service activities	0	0	0	0	0	
100	Information and communication	17	1	1	17	-5	
110	Financial and insurance activities	1	0	0	1	0	
120	Real estate activities	2	0	0	2	0	
130	Professional, scientific and technical activities	5	0	0	5	0	
140	Administrative and support service activities	227	8	8	227	-12	
150	Public administration and defense, compulsory social security	1	0	0	1	0	
160	Education	3	0	0	3	-1	
170	Human health services and social work activities	2	0	0	2	0	
180	Arts, entertainment and recreation	11	3	3	11	-3	
190	Other services	13	1	1	13	-7	
200	***Total***	***1,831***	***347***	***347***	***1,831***	***-349***	

Template EU CR1: Performing and non-performing exposures and related provisions.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**							**Collateral and financial guarantees received**	
		Performing exposures			**Non-performing exposures**			**Performing exposures – accumulated impairment and provisions**			**Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**			**Accumulated partial write-off**	**On performing exposures**	**On non-performing exposures**
			Of which stage 1	**Of which stage 2**		**Of which stage 2**	**Of which stage 3**		**Of which stage 1**	**Of which stage 2**		**Of which stage 2**	**Of which stage 3**			
5	Cash balances at central banks and other demand deposits	24,671	24,671					0	0						0	
10	Loans and advances	90,078	83,677	6,401	1,857		1,857	-2,242	-1,273	-969	-1,256		-1,256	0	2,241	0
20	*Central banks*															
30	*General governments*															
40	*Credit institutions*	*1,929*	*1,927*	*3*				-7	-7	0				0	0	
50	*Other financial corporations*	*4,250*	*4,239*	*11*	2		2	-7	-2	-5	-1		-1	0	0	0
60	*Non-financial corporations*	*1,484*	*257*	*1,226*	347		347	-10	0	-10	-339		-339	0	0	0
70	*Of which SMEs*	*247*	*154*	*92*	52		52	-3	0	-3	-37		-37	0	0	0
80	*Households*	*82,415*	*77,254*	*5,161*	1,508		1,508	-2,217	-1,264	-954	-916		-916	0	2,241	0
90	Debt securities	7,774	7,774					0	0					0	0	
100	*Central banks*															
110	*General governments*	*2,982*	*2,982*					0	0					0	0	
120	*Credit institutions*	*4,792*	*4,792*					0	0					0	0	
130	*Other financial corporations*															
140	*Non-financial corporations*															

150	Off-balance-sheet exposures	***15,423***	***15,414***	***9***	***0***		***0***	***-107***	***-102***	***-5***	***0***		***0***			
160	*Central banks*															
170	*General governments*															
180	*Credit institutions*	***2,274***	***2,274***					***-1***	***-1***							
190	*Other financial corporations*	***861***	***861***					***-3***	***-3***							
200	*Non-financial corporations*	***11,612***	***11,603***	***9***	***0***		***0***	***-88***	***-83***	***-5***	***0***		***0***			
210	*Households*	***677***	***677***					***-15***	***-15***							
220	***Total***	***137,946***	***131,536***	***6,410***	***1,858***	***0***	***1,858***	***-2,349***	***-1,375***	***-974***	***-1,256***	***0***	***-1,256***	***0***	***2,241***	***0***

Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	9,913	75,769	2,592	163		88,437
2	Debt securities		3,952	3,822			7,774
3	***Total***	**9,913**	**79,721**	**6,414**	**163**		**96,211**

Template EU CR2: Changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
10	**Initial stock of non-performing loans and advances**	2,189
20	Inflows to non-performing portfolios	7,642
30	Outflows from non-performing portfolios	-2,667
40	Outflows due to write-offs	-5,308
50	Outflow due to other situations	1
60	**Final stock of non-performing loans and advances**	1,857

Template EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
5	Cash balances at central banks and other demand deposits								
10	Loans and advances	51	120	120	120	-18	-58		
20	*Central banks*								
30	*General governments*								
40	*Credit institutions*								
50	*Other financial corporations*								
60	*Non-financial corporations*								
70	*Households*	51	120	120	120	-18	-58		
80	Debt Securities								
90	Loan commitments given								
100	***Total***	51	120	120	120	-18	-58		

4.7 Other sources of credit risk

Klarna has credit risk arising from investments in debt securities held for liquidity management purposes. Credit risk in the liquidity portfolio is managed by ensuring the level of securities held is in relation to the business need and by taking into account the creditworthiness of the counterparty. The Group controls the exposure by setting limits on the type of issuers whose securities can be purchased and the credit rating of those issuers. These limits are applied by the Treasury Function on an ongoing basis in managing the liquidity portfolio and independently controlled by Risk Control.

The risk of securities in the liquidity portfolio is mitigated by only investing in instruments issued by central banks, supranationals, governments, municipalities, and covered bonds. A limit framework is in place, with limits based on credit rating for both single name and issuer type exposure, in order to maintain high overall credit quality and ensure an appropriate level of diversification. As at end December 2023 the entire liquidity portfolio was eligible for inclusion in the Liquidity Buffer under the Delegated Act on the Liquidity Coverage Ratio.[4]

Another source of credit risk for Klarna is counterparty credit risk relating to derivative contracts. This means the risk of a counterparty failing to fulfill its contractual obligations, which could cause a loss for Klarna. Counterparty credit risk is managed by selecting only high quality counterparties such as large Nordic and Global banks as derivative counterparties. In addition netting and margining are used to minimize the exposure amounts per counterparty. The Treasury Function manages the risk with independent oversight by Risk Control.

The credit risk of derivative transactions is calculated according to the simplified standardized approach to counterparty credit risk (SSA-CCR). The derivative transactions currently used by Klarna are currency and interest rate swaps.

Klarna calculates the capital requirement arising from credit risk exposures according to the standardised approach as stated in section 4.2.1. Klarna uses the external rating agencies Moody's, Fitch, and Standard and Poor's, to calculate risk weighted exposure amounts for institute exposures, corporate exposures and local and central authorities. Klarna regularly updates its counterparty register with short and long ratings. If an institution has two ratings, the worst is selected and with three ratings available, the highest two are selected, then the final rating would be the worst of these two. Should there be no rating available, the assigned risk weight is instead based on the rating of the national government in the jurisdiction to which the institution belongs. The Risk Control function reports the follow-up of all defined limits for credit risks to the board at least quarterly. Any limit breaches are escalated immediately.

[4] Commission Delegated Regulation (EU) 2015/61

Template EU CCR2 – Transactions subject to own funds requirements for CVA risk

	Fixed format	a Exposure value	b RWEA
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	869	118
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	869	118

Template EU CCR1 – Analysis of CCR exposure by approach

Fixed format

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)				1.4				
EU-2	EU - Simplified SA-CCR (for derivatives)	23	634		1.4	2,616	920	920	175
1	SA-CCR (for derivatives)				1.4				
2	IMM (for derivatives and SFTs)								
2a	*Of which securities financing transactions netting sets*								
2b	*Of which derivatives and long settlement transactions netting sets*								
2c	*Of which from contractual cross-product netting sets*								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	**Total**					2,616	920	920	175

Template EU CCR3 – Standardised[5] approach – CCR exposures by regulatory exposure class and risk weights

Fixed format

		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks												
2	Regional government or local authorities												
3	Public sector entities												
4	Multilateral development banks												
5	International organisations												
6	Institutions					869							869
7	Corporates		50										50
8	Retail												
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**		50			869							920

[5] Klarna uses the Simplified Standadised approach

Template EU CCR5 – Composition of collateral for CCR exposures

Fixed columns

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency		181		9				
2	Cash – other currencies		117	107	78				
3	Domestic sovereign debt								
4	Other sovereign debt								
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	**Total**		**297**	**107**	**87**				

Template EU CCR8 – Exposures to CCPs

Fixed format

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		1
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	50	1
3	(i) OTC derivatives	50	1
4	(ii) Exchange-traded derivatives		
5	(iii) SFTs		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin	78	
8	Non-segregated initial margin		
9	Prefunded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**		174
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	869	174
13	(i) OTC derivatives	869	174
14	(ii) Exchange-traded derivatives		
15	(iii) SFTs		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

5. Market risk

Market risk is defined as the risk that the value of, or expected future cash flow from Klarna's assets and liabilities, will decline as a result of market conditions. Klarna only invests in financial instruments for liquidity management purposes, and not with a speculative purpose. The nature of Klarna's business implies that there is no exposure to commodity risk. Interest and currency risk however exist as part of the business. The management of these risks is further described in the sections below.

Template EU MR1 - Market risk under the standardised approach

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	
2	Equity risk (general and specific)	
3	Foreign exchange risk	1,217
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	Securitisation (specific risk)	
9	**Total**	1,217

5.1 Currency risk

Klarna operates in multiple countries and currencies. This gives rise to currency risk in Klarna's earnings as a result of currency fluctuations. The currency risk is managed by entering into offsetting currency exposures, protecting against losses from changes in foreign exchange rates. Internal Risk Policies limits currency exposures in both Klarna Holding AB (publ) and Klarna Bank AB (publ). The capital requirement for currency risk is based on Klarna's net open currency position.

Currency risk is included in the Pillar 1 capital requirement and as a part of the ICLAAP Klarna uses an internal model to assess if the market risk Pillar 1 capital is sufficient to cover the risk.

5.2 Interest-rate risk in the banking book (IRRBB)

Interest rate risk is the sensitivity of earnings or economic value of assets and liabilities held for non-trading purposes to changes in interest rates. It is defined as the risk of decreased market values of Klarna's interest-bearing assets or an increase in market values for interest-bearing liabilities, due to mismatches in repricing of assets and liabilities (value risk), or the risk of net interest income being negatively affected by changes in general interest rates (earnings risk).

Klarna manages interest rate risk based on the SFSA's revised Pillar 2 methods published in December 2020[6] and internal limits set by the Board. To manage the risk and exposure Klarna can enter into hedging instruments such as interest rate swaps.

Interest rate risk in the banking book (IRRBB) is not included in the Pillar 1 requirement. The IRRBB covers gap risk, basis risk, and option risk. An additional related risk type is credit spread risk in the banking book (CSRBB). Klarna evaluates exposure to all of these risks with capital allocated for gap risk, basis risk and CSRBB in accordance with the SFSA's revised Pillar 2 methods published in December 2020.

5.3 Equity risk

Klarna does not have a trading book but strategically invests in other companies to accelerate innovation and/or expand/improve its product offering. Equity risk, the risk that the value of Klarna's investments may increase or decrease, is a natural consequence of this. The Board sets out clear investment mandates to limit this risk exposure.

6. Operational, ICT and security risk

Operational risk is defined as the risk of inadequate or failed processes, personnel, products or third parties. It is managed in accordance with the Operational Risk Policy approved by the Board. Key components of the Operational Risk program include:

6.1 Risk assessment and internal control

The purpose of the Risk Assessment and Internal Control process is to ensure that business-as-usual risks are managed appropriately.

This is comprised of:

- Identifying business critical products and services
- Identifying key associated inherent risks
- Identifying key controls currently in place to mitigate these risks
- Determining residual risk
- Implementing new controls or enhancing existing controls
- Regular testing of the design and execution of controls
- Reporting of the risk and control profile to the Board

This process is performed at least annually or when deemed necessary due to a trigger such as the occurrence of relevant incidents, identification of new risks, or the introduction/enhancement of controls.

6.2 New product/process approval process

Klarna follows a process for risk-assessing new change initiatives, referred to as the New Product Approval (NPA) process. The purpose of the NPA process is to ensure that new risks being introduced to Klarna as a result of a change initiative are identified and appropriately mitigated. Change initiatives that are considered "major" fall in scope for the NPA process and include, but are not limited to, new or materially altered products, services, processes, or IT systems; mergers and acquisitions; business activity in new markets; new third-party service providers; and organizational changes.

[6] SFSA, Pelare 2-metod för bedömning av kapitalpåslag för marknadsrisker i övrig verksamhet, dnr 19-4434 (Swedish only)

The NPA process identifies and assesses risks and controls associated with the change, identifying any necessary changes to risk-taking activities and further control requirements.

6.3 Incident management and reporting

Incident management and reporting focuses on the key phases of the incident lifecycle which include incident detection, root cause analysis, and remediation to prevent reoccurrence. The aim is to implement any immediate actions to minimize incident impacts, identify the need for any new controls to prevent future incidents, and collect loss data.

Efforts to recover losses from the incident, such as an insurance claim, are pursued when appropriate.

6.4 Business continuity management

The Business Continuity Management (BCM) program concerns itself with a non-business-as-usual environment, i.e., in case of a significant business disruption. The BCM program enables the identification of critical dependencies in Klarna's processes which, if disrupted, would most materially impact recovery. Examples include people, vendors, and system dependencies. The BCM framework consists of the following key elements:

- Business Impact Assessments (BIA) are intended to identify Business Critical Products and Services through understanding and evaluating the potential impacts that disruptions may have on business operations.
- Business Continuity Plans (BCP) are then devised which seek to mitigate those impacts.
- Business Continuity Tests (BCT) then ensure that the Business Continuity Plans are practical and feasible to be implemented if need be.

6.5 Model risk management framework

The Model risk management framework identifies, understands, and manages model risk across Klarna. It is based on an assessment of the criticality of models used and encompasses governance and control mechanisms such as management oversight, policies and procedures, controls, and compliance and validation.

6.6 ICT and security risk management framework

The Information and Communication Technology (ICT) and security risk management framework is aligned with the risk assessment and internal control process and risk management framework. The purpose of the framework is to ensure that all ICT and security risks are identified, analyzed, measured, monitored, managed, reported, and kept within the limits of the risk appetite and that the projects and systems Klarna delivers. It also ensures the activities Klarna performs are in compliance with external and internal requirements. The framework exists in order to do this in the most efficient manner possible as well as to cover for the specific needs of ICT and security risk management as defined by EBA/GL/2019/04 guidelines for ICT and Security risk management amongst other (local) requirements.

6.7 Regulatory capital requirements for operational risk

Klarna uses the alternative standardized method (ASA), in accordance with CRR, Part 3, Title III, Chapter 3, for calculating the capital requirement for operational risk in Pillar 1. The standardized approach in the CRR uses gross income (3-year average) for different business lines as an indicator multiplied with a beta factor (12-18 percent) to calculate the REA. The ASA method uses exposures instead of gross income for retail and commercial business lines, which is more representative of the risk Klarna is exposed to. The capital requirement for operational risk equals the average of the annual capital requirements over all business lines over the preceding three years.

Klarna continuously enhances its approach to managing and reducing operational risk exposure. In its ICLAAP, Klarna uses an internal operational risk model to assess the sufficiency of the operational risk Pillar 1 capital. If the total internally assessed capital need is greater than Pillar 1, the amount exceeding Pillar 1 is included in Pillar 2.

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
			Relevant indicator		Own funds	Risk exposure
Banking activities		**Year-3**	**Year-2**	**Last year**	**requirements**	**amount**
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	2,051	2,534	3,102	363	4,535
3	*Subject to TSA:*					
4	*Subject to ASA:*	2,051	2,534	3,102		
5	Banking activities subject to advanced measurement approaches AMA					

7. Funding and Liquidity risk

Liquidity and funding risk assessment is an integral part of ongoing business operations at Klarna.

7.1 Liquidity risk management

The relatively short duration of Klarna's assets can be leveraged to quickly improve the liquidity situation through limiting new loan origination to reduce the funding need. The result is lower liquidity risk. Klarna is also subject to Swedish FSA's regulations on liquidity risk management (FFFS 2010:7). In particular these rules contain requirements relating to the identification and measurement of liquidity risk as well as funding plans, performance of stress testing and the maintenance of an adequate liquidity reserve.

A healthy liquidity buffer, in terms of both size and credit quality, is kept at all times to ensure sufficient headroom in case of unexpected fluctuations in Klarna's liquidity position. Such events could, among others, be driven by a sudden shift in customer product preference or repayment behavior, funding outflows, or an unexpected peak in credits granted over a short period of time. The majority of this buffer consists of cash held in central banks which are readily available to make payments. Klarna regularly tests its ability to liquidate the non-cash assets in the reserve through either outright sales of assets or by entering into repurchase agreements.

7.2 Liquidity stress testing

Liquidity stress testing is an integral part of Klarna's liquidity risk management framework and Klarna regularly uses stress testing to assess liquidity adequacy with the purpose is to evaluate sensitivity to relevant market and company specific factors and to ensure proper resistance towards stress.

Template EU LIQ2: Net Stable Funding Ratio

In accordance with Article 451a(3) CRR

		a	b	c	d	e
			Unweighted value by residual maturity			
(in currency amount)		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	**22,070**			**751**	**22,822**
2	*Own funds*	22,070			751	22,822
3	*Other capital instruments*					
4	Retail deposits		**43,703**	**38,418**	**14,014**	**88,041**
5	*Stable deposits*		2,377			2,258
6	*Less stable deposits*		41,326	38,418	14,014	85,784
7	Wholesale funding:		**12,418**	**177**	**1,017**	**6,583**
8	*Operational deposits*					
9	*Other wholesale funding*		12,418	177	1,017	6,583
10	Interdependent liabilities					
11	Other liabilities:		**4,682**		**47**	**47**
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*		4,682		47	47
14	**Total available stable funding (ASF)**					**117,493**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**35**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		**85,137**	**2,478**	**2,725**	**42,665**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*					
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		8,711		172	1,043

Template EU LIQ2: Net Stable Funding Ratio

In accordance with Article 451a(3) CRR

		a	b	c	d	e
			Unweighted value by residual maturity			
	(in currency amount)	**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		76,426	2,478	2,553	41,622
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
22	*Performing residential mortgages, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*					
25	Interdependent assets					
26	Other assets:		**2,948**	**411**	**14,632**	**16,523**
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		313			313
30	*NSFR derivative liabilities before deduction of variation margin posted*		241			12
31	*All other assets not included in the above categories*		2,394	411	14,632	16,198
32	Off-balance sheet items			**15,098**		**755**
33	**Total RSF**					**59,978**
34	**Net Stable Funding Ratio (%)**					195.89%

Template EU LIQ1 - Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					29,220	27,949	25,804	24,026
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	84,400	79,165	75,102	70,960	2,112	1,988	1,982	2,008
3	*Stable deposits*	1,301	1,142	1,112	1,070	65	57	56	54
4	*Less stable deposits*	83,099	78,023	73,990	69,890	2,047	1,931	1,926	1,954
5	Unsecured wholesale funding	163	208	345	364	163	208	345	364
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*								
7	*Non-operational deposits (all counterparties)*								
8	*Unsecured debt*								
9	*Secured wholesale funding*								
10	Additional requirements	4,982	6,089	9,149	12,237	1,814	1,859	1,997	2,168

Template EU LIQ1 - Quantitative information of LCR									
		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023
11	*Outflows related to derivative exposures and other collateral requirements*	62	101	161	226	62	101	161	226
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	3,335	4,452	7,529	10,598	167	223	376	530
14	Other contractual funding obligations	13,507	13,872	13,843	13,597	11,667	11,310	10,582	9,756
15	Other contingent funding obligations								
16	TOTAL CASH OUTFLOWS					15,752	15,395	14,947	14,348
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	40,951	37,721	36,027	34,450	23,299	21,728	21,072	20,341
19	Other cash inflows	1,013	937	918	784	1,001	935	918	784

Template EU LIQ1 - Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	41,927	38,641	36,941	35,234	24,273	22,646	21,987	21,125
EU-20 a	*Fully exempt inflows*								
EU-20 b	*Inflows subject to 90% cap*								
20	*Inflows subject to 75% cap*	41,927	38,641	36,941	35,234	24,273	22,646	21,987	21,125

Template EU LIQ1 - Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023	Dec 31,2023	Sep 30, 2023	June 30, 2023	March 31, 2023
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					29,212	27,940	25,790	23,987
22	TOTAL NET CASH OUTFLOWS					3,938	3,849	3,737	3,587
23	LIQUIDITY COVERAGE RATIO					754.32%	738.89%	702.74%	679.76%

7.3 Encumbered assets

A large proportion of Klarna's assets remain unencumbered. As the majority of these assets are lending to the public with a short average repayment profile, these inflows serve as a safeguard to reduce the liquidity risk.

Template EU AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	50	60	80	90	100
10	**Assets of the disclosing institution**	**372**							
30	Equity instruments					345		345	
40	Debt securities					7,774	7,774		
50	of which: covered bonds					506	506		
60	of which: securitisations								
70	of which: issued by general governments					2,982	2,982		
80	of which: issued by financial corporations					4,792	4,792		
90	of which: issued by non-financial corporations								
120	Other assets					129,436			

Template EU AE2 - Collateral received and own debt securities issued					
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	60
130	**Collateral received by the disclosing institution**	297			
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received	297			
240	**Own debt securities issued other than own covered bonds or securitisations**				
241	**Own covered bonds and securitisations issued and not yet pledged**				
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**637**			

Template EU AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		10	30
10	**Carrying amount of selected financial liabilities**	202	297

8. Risk in remuneration systems

The Remuneration Policy is adopted by the Board at a minimum annually and is based on a proposal made by the Chief Operating Officer and the Remuneration Committee (RemCo). This is preceded by an evaluation made by the control functions and approved by the RemCO.

The Remuneration Policy is applicable to all employees in all geographies, within the group, including staff that have a material impact on the risk profile of the bank (Identified Staff). Branches follow the same remuneration but, where relevant, also take into account and are aligned with sector specific regulations.

CxOs (executive suite), other key employees and employees in certain business units where it is standard market practice, are offered individual variable remuneration. Klarna uses both deferred and non-deferred variable remuneration models.

Variable remuneration is a means to drive and reward performance and behaviors to create long-term shareholder value. Moreover, it is also an essential way of securing flexibility in the remuneration cost. Equity-based remuneration is a means to attract and retain employees with key competences. It also provides an incentive for employees to be shareholders of Klarna which promotes long-term commitment that is aligned with the shareholders' interests.

If the employee is a member of the CxO team, a maximum of 60% of the variable remuneration may be paid out to the employee immediately after the accrual period. A minimum of 40% is deferred over a minimum period of four years from such date.

If the employee is an Identified Staff but not a member of the CxO team, a maximum of 60% of the variable remuneration may be paid out to the employee immediately after the accrual period. A minimum of 40% is deferred over a minimum period of four years from such date. A minimum of 50% of the variable remuneration must be awarded in instruments. This applies to both the non-deferred and the deferred part of the variable remuneration.

If employees engaged in Control Functions receive variable remuneration, this remuneration is based on goals linked to the control function and is independent of the performance of the business unit(s) they control.

The following categories are used to determine which positions are Identified Staff:

1. Members of the CxO team
2. Heads of independent control functions (and their direct reports)
3. Committee members
4. Board members

Before granting variable remuneration, a risk assessment will be conducted. Different criteria regarding the personal performance as well as the department performance will be analyzed. This assessment will be made by the different responsible functions. Each criteria will be measured as defined in the Remuneration Policy. Part of the variable remuneration will be deferred and can be subject to malus and clawback.

According to Klarna's Remuneration Policy 2023, all variable remuneration is subject to malus arrangements and may be subject also to clawback arrangements (ex post risk assessment) in order to ensure that variable remuneration is paid or vested only if it is sustainable according to Klarna's financial situation as a whole, and justified on the basis of the performance of Klarna, the business unit and the employee concerned. Variable remuneration based on future performance shall be awarded after the end of the accrual period. The accrual period shall be at least one year. After the accrual period the variable remuneration to be awarded shall be decided based on the outcome of the performance criteria and the risks taken.

Equity deferrals will be granted in warrants and are subject to the board's approval. Warrants will be paid out according to their programme structure and terms and conditions. The vesting period for those (which can be amended) is a minimum 4 years.

When it comes to Redundancy payments, they shall follow the requirements in local labor law and/or collective bargaining agreements, as applicable, and shall mirror the employee's performance, employment period and cannot reward failure or misconduct. Any variable remuneration paid in connection to the termination of employment shall reflect the employee's performance and shall not promote excessive risk-taking.

Template EU REM1 - Remuneration awarded for the financial year

			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1		Number of identified staff	8	9	0	46
2		Total fixed remuneration	21,861,524	87,343,840	0	96,463,681
3		Of which: cash-based	21,031,652	82,614,026	0	88,503,541
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms	829,872	4,729,814	0	7,960,140
8	Fixed remuneration	(Not applicable in the EU)				
9		Number of identified staff	8	9	0	46
10		Total variable remuneration	15,960,494	58,904,831	0	17,218,116
11		Of which: cash-based	15,660,000	10,059,070	0	1,104,469
12		Of which: deferred	11,088,000	5,745,000	0	247,680
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	300,494	48,845,761	0	16,113,646
EU-14b		Of which: deferred	300,494	48,845,761	0	16,113,646
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16	Variable remuneration	Of which: deferred				
17	Total remuneration (2 + 10)		37,822,018	146,248,670	0	113,681,796

Template EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	**Total amount of deferred remuneration awarded for previous performance periods**	**Of which due to vest in the financial year**	**Of which vesting in subsequent financial years**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years**	**Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)**	**Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year**	**Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods**
1	MB Supervisory function								
2	Cash-based	6,000,000	900,000	2,700,000				900,000	
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments	25,284,546.78	4,317,322.00	5,197,207.38					0
5	Other instruments								
6	Other forms								
7	MB Management function								
8	Cash-based	7,575,582	859,070	3,970,000				859,070	
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments	63,068,522.31	12,131,737.65	17,315,025.58					5,715,807.66
11	Other instruments								
12	Other forms								
13	Other senior management								
14	Cash-based	0	0	0					0

Template EU REM3 - Deferred remuneration

	Deferred and retained remuneration	a Total amount of deferred remuneration awarded for previous performance periods	b Of which due to vest in the financial year	c Of which vesting in subsequent financial years	d Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	e Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	f Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	EU - g Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	EU - h Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments	0	0	0					0
17	Other instruments								
18	Other forms								
19	Other identified staff								
20	Cash-based	989,000	79,120	247,680				61,920	
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments	57,500,406.21	9,116,468.78	10,723,849.81					732,658.16
23	Other instruments								
24	Other forms								
25	Total amount	160,418,057.30	27,403,718.27	40,153,762.77				1,820,989.84	6,448,465.82

Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	2
2	1 500 000 to below 2 000 000	1
3	2 000 000 to below 2 500 000	1
4	2 500 000 to below 3 000 000	2
5	3 000 000 to below 3 500 000	1
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0
x	To be extended as appropriate, if further payment bands are needed.	

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**63**
2	**Of which: members of the MB**	8	9	17							
3	**Of which: other senior management**										
4	**Of which: other identified staff**				13	10			16	7	
5	**Total remuneration of identified staff**	33,862,018	146,248,671	180,110,689	25,282,182	14,619,091			26,480,888	47,299,636	
6	**Of which: variable remuneration**	12,000,494	58,904,831	70,905,325	3,315,707	593,871			1,758,631	11,549,906	
7	**Of which: fixed remuneration**	21,861,524	87,363,840	109,225,364	21,966,474	14,025,220			24,722,257	35,749,730	