

Publication of information concerning capital adequacy and liquidity management

30 May 2024

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

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

The information is presented for Klarna Bank AB (publ) (556737-0431) and Klarna Holding AB (publ) Consolidated as of 31 March, 2024.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated	Klarna Bank AB (publ)
SEKk	31 Mar 2024	31 Mar 2024
Own funds		
Common Equity Tier 1 capital	11,202,923	13,891,161
Additional Tier 1 capital	1,686,986	276,000
Tier 2 capital	750,926	0
Own funds	13,640,835	14,167,161
Risk exposure amount		
Credit risk according to standardized approach	64,030,385	81,028,133
Securitisation positions	1,431,665	1,431,665
Market risk according to standardized approach	2,399,610	2,239,862
Operational risk according to alternative standardized approach	4,534,674	4,813,346
Credit valuation adjustment	102,064	102,064
Total risk exposure amount	72,498,398	89,615,070
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	15.5%	15.5%
Tier 1 capital ratio	17.8%	15.8%
Total capital ratio	18.8%	15.8%
<u>Requirements</u>		
Overall capital requirement (OCR) ratio	12.5%	12.7%
of which: Pillar 2 requirement	0.9%	1.1%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.0%	1.1%
CET1 available after meeting the total SREP own funds requirements (%)	10.4%	10.4%
OCR and Pillar 2 Guidance (P2G)	16.0%	12.7%
of which: P2G	3.5%	0.0%
Leverage ratio		
Tier 1 capital	12,889,909	14,167,161
Leverage ratio total exposure measure	147,228,262	159,999,516
Leverage ratio	8.8%	8.9%
<u>Requirements</u>		
Overall leverage ratio requirement (OLRR)	3.0%	3.0%
Overall leverage ratio requirement (OLRR) and Pillar to Guidance (P2G) ratio	6.0%	3.0%
of which: P2G	3.0%	0.0%

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

Klarna Holding AB (publ) Consolidated

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	36,318,310	0	0
Regional governments or local authorities	4,941,619	0	0
Public sector entities	1,108,655	0	0
Multilateral development banks	2,444,030	0	0
International organisations	1,144,229	0	0
Institutions	6,738,150	1,347,630	107,810
Corporates	9,493,311	9,148,646	731,892
Retail	63,260,821	47,445,616	3,795,649
Exposures in default	634,270	732,735	58,619
Covered bonds	303,472	30,347	2,428
Equity	460,093	878,501	70,280
Other items	4,035,661	4,446,910	355,753
Total	130,882,621	64,030,385	5,122,431

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

Klarna Bank AB (publ)

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	35,966,147	0	0
Regional governments or local authorities	4,941,619	0	0
Public sector entities	1,108,655	0	0
Multilateral development banks	2,444,030	0	0
International organisations	1,144,229	0	0
Institutions	4,807,653	961,530	76,922
Corporates	25,073,117	24,737,949	1,979,036
Retail	46,568,335	34,926,251	2,794,100
Exposures in default	671,343	880,086	70,407
Covered bonds	303,472	30,347	2,428
Equity	15,924,777	16,343,186	1,307,455
Other items	3,027,180	3,148,784	251,903
Total	141,980,557	81,028,133	6,482,251

Internally assessed capital requirement and Guidance

As of 31 March, 2024, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 9.3bn and for Klarna Bank AB (publ) to SEK 11.6bn, comprising the minimum capital requirement under Pillar I, the capital requirement for risks managed under Pillar II and the combined buffer requirements.

Pillar II Guidance is the level of capital that the SFSA assesses to be a suitable level for each bank to hold to cover, for example, risks or aspects of risks and manage future stressed situations. From September 29, 2023, Klarna's Pillar II Guidance amount is set to 3.5% of the risk exposure amount.

Sources of funding

As of 31 March, 2024, Klarna's business was funded by deposits from the public, debt securities in issue, subordinated debt and liabilities to credit institutions.

Liquidity reserve

As of 31 March, 2024, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 44.9bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 44.9bn and consisted of high-quality liquid assets.

IFRS 9 Transitional adjustments

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

SEKk	Klarna Holding AB (publ) Consolidated			
	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9				
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	11,202,923	11,631,947	13,077,846	12,494,171
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	10,979,589	11,136,069	12,574,761	11,834,763
Tier 1 capital	12,889,909	11,808,842	13,250,324	12,921,780
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,666,575	11,312,965	12,747,239	12,262,372
Total capital	13,640,835	12,559,945	14,001,183	13,426,912
Total capital as if IFRS 9 transitional arrangements had not been applied	13,417,500	12,064,068	13,498,098	12,767,504
Risk exposure amounts				
Total risk exposure amount	72,498,398	71,794,017	65,644,572	67,624,000
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	72,275,064	71,298,139	65,141,487	66,964,593
Capital ratios (as percentage of total risk exposure amount)				
CET1	15.5%	16.2%	19.9%	18.5%
CET1 as if IFRS 9 transitional arrangements had not been applied	15.2%	15.6%	19.3%	17.7%
Tier 1	17.8%	16.4%	20.2%	19.1%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	17.5%	15.9%	19.6%	18.3%
Total capital	18.8%	17.5%	21.3%	19.9%
Total capital as if IFRS 9 trans. Arrangements had not been applied	18.6%	16.9%	20.7%	19.1%
Leverage ratio				
Total Leverage ratio exposure amount	147,228,262	131,830,983	124,689,498	116,236,998
Leverage ratio	8.8%	9.0%	10.6%	11.1%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	8.6%	8.6%	10.3%	10.6%

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9		Klarna Bank AB (publ)				
		SEkk	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
Available capital (amounts)						
Common Equity Tier 1 (CET1) capital		13,891,161	14,544,426	13,276,158	13,183,977	
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied		13,680,570	14,094,565	12,883,047	12,634,161	
Tier 1 capital		14,167,161	14,820,426	13,552,158	13,459,977	
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		13,956,570	14,370,565	13,159,047	12,910,161	
Total capital		14,167,161	14,820,426	13,552,158	13,459,977	
Total capital as if IFRS 9 transitional arrangements had not been applied		13,956,570	14,370,565	13,159,047	12,910,161	
Risk exposure amounts						
Total risk exposure amount		89,615,070	90,210,031	79,891,534	80,953,596	
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied		89,404,479	89,760,171	79,498,423	80,403,781	
Capital ratios (as percentage of total risk exposure amount)						
CET1		15.5%	16.1%	16.6%	16.3%	
CET1 as if IFRS 9 transitional arrangements had not been applied		15.3%	15.7%	16.2%	15.7%	
Tier 1		15.8%	16.4%	17.0%	16.6%	
Tier 1 as if IFRS 9 transitional arrangements had not been applied		15.6%	16.0%	16.6%	16.1%	
Total capital		15.8%	16.4%	17.0%	16.6%	
Total capital as if IFRS 9 transitional arrangements had not been applied		15.6%	16.0%	16.6%	16.1%	
Leverage ratio						
Total Leverage ratio exposure amount		159,999,516	145,722,422	136,001,842	126,965,311	
Leverage ratio		8.9%	10.2%	10.0%	10.6%	
Leverage ratio as if IFRS 9 transitional arrangements had not been applied		8.7%	9.9%	9.7%	10.2%	

Disclosure of information regarding capital adequacy and capital ratios

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

Own funds disclosure	Klarna Holding AB (publ) Consolidated	Klarna Bank AB (publ)	Regulation (EU) No 575/2013 Article reference
SEKk			
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	42,094,821	35,317,909	26(1), 27, 28, 29
of which: Share capital	3,033	77,644	26(3)
of which: Share premium	42,091,788	35,240,265	26(3)
Retained earnings	-20,917,571	-20,937,507	26(1)(c)
Accumulated other comprehensive income (and other reserves)	1,098,920	1,318,564	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	22,276,170	15,698,966	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-790	-790	34, 105
Intangible assets (net of related tax liability)	-10,552,024	-1,417,191	36(1)(b), 37
Losses for the current financial year	-287,843	-171,333	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	223,334	210,591	473a(8)
Deferred tax assets rely on future profitability	-26,842	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-429,082	-429,082	36(1)(k)(iii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-11,073,247	-1,807,805	
Common Equity Tier 1 (CET1) capital	11,202,923	13,891,161	
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	1,500,000	276,000	51, 52
of which: classified as equity under applicable accounting standards	1,500,000	276,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	186,986		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	1,686,986	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	1,686,986	276,000	
Tier 1 capital (T1 = CET1 + AT1)	12,889,909	14,167,161	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	750,926	0	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	0		87, 88
Tier 2 (T2) capital before regulatory adjustment	750,926	0	

Tier 2 (T2) capital: regulatory adjustments

Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital instruments	750,926	0
Own funds (TC = T1 + T2)	13,640,835	14,167,161
Total risk exposure amount	72,498,398	89,615,070

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

Common Equity Tier 1	15.5%	15.5%	92(2)(a)
Tier 1	17.8%	15.8%	92(2)(b)
Total capital	18.8%	15.8%	92(2)(c)
Overall capital requirement (OCR) ratio	12.5%	12.7%	CRD 104.a, 128, 129, 130 CRR 92(1)(a,b,c)
of which: Pillar 2 requirement	0.9%	1.1%	CRD 104.a
of which: capital conservation buffer requirement	2.5%	2.5%	CRD 129
of which: countercyclical buffer requirement	1.0%	1.1%	CRD 130
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	10.4%	10.4%	CRD 128

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

Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	0	36(1)(i), 45, 48
Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met)	274,173	81,072	36(1)(c), 38, 48