

Publication of information concerning capital adequacy and liquidity management

25 November 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 30 September, 2024.

Summary of capital adequacy information	Consolidated Situation	Klarna Bank AB (publ)
SEKk	30 Sep 2024	30 Sep 2024
Own funds		
Common Equity Tier 1 capital	11,509,405	19,585,469
Additional Tier 1 capital	1,643,193	276,000
Tier 2 capital	1,787,680	0
Own funds	14,940,278	19,861,469
Risk exposure amount		
Credit risk according to standardized approach	63,738,976	84,577,267
Securitisation positions	1,856,009	1,856,009
Market risk according to standardized approach	2,325,527	4,182,002
Operational risk according to alternative standardized approach	4,534,674	4,813,346
Credit valuation adjustment	104,915	104,915
Total risk exposure amount	72,560,101	95,533,539
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	15.9%	20.5%
Tier 1 capital ratio	18.1%	20.8%
Total capital ratio	20.6%	20.8%
<u>Requirements</u>		
Overall capital requirement (OCR) ratio	12.5%	12.8%
of which: Pillar II requirement	0.9%	1.1%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.1%	1.2%
CET1 available after meeting the total SREP own funds requirements (%)	10.8%	15.4%
OCR and Pillar II Guidance (P2G)	16.0%	12.8%
of which: P2G	3.5%	0.0%
Leverage ratio		
Tier 1 capital	13,152,598	19,861,469
Leverage ratio total exposure measure	149,253,950	166,106,900
Leverage ratio	8.8%	12.0%
<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**

Consolidated Situation

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	37,208,802	0	0
Regional governments or local authorities	3,035,134	0	0
Public sector entities	662,473	0	0
Multilateral development banks	2,137,472	0	0
International organisations	929,945	0	0
Institutions	5,496,843	1,099,369	87,950
Corporates	7,748,937	7,540,662	603,253
Retail	65,030,320	48,772,739	3,901,819
Exposures in default	584,990	653,394	52,272
Covered bonds	302,750	30,275	2,422
Equity	267,693	669,234	53,539
Other items	4,468,568	4,973,303	397,864
Total	127,873,927	63,738,976	5,099,119

**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	36,870,974	0	0
Regional governments or local authorities	3,035,134	0	0
Public sector entities	662,473	0	0
Multilateral development banks	2,137,472	0	0
International organisations	929,945	0	0
Institutions	3,385,781	677,156	54,172
Corporates	23,787,576	23,587,134	1,886,971
Retail	47,749,717	35,812,287	2,864,983
Exposures in default	496,530	617,054	49,364
Covered bonds	302,750	30,275	2,422
Equity	20,145,301	20,546,842	1,643,747
Other items	3,141,530	3,306,519	264,522
Total	142,645,183	84,577,267	6,766,181

Internally assessed capital requirement and Guidance

As of 30 September, 2024, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 9.5bn and for Klarna Bank AB (publ) to SEK 12.5bn, 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 30 September, 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 30 September, 2024, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 43.1bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 43.1bn 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	Consolidated Situation			
	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 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	11,509,405	11,219,987	11,202,923	11,631,947
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	11,301,029	10,994,454	10,979,589	11,136,069
Tier 1 capital	13,152,598	12,856,466	12,889,909	11,808,842
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,944,222	12,630,932	12,666,575	11,312,965
Total capital	14,940,278	14,695,573	13,640,835	12,559,945
Total capital as if IFRS 9 transitional arrangements had not been applied	14,731,902	14,470,039	13,417,500	12,064,068
Risk exposure amounts				
Total risk exposure amount	72,560,101	75,371,326	72,498,398	71,794,017
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	72,351,725	75,145,793	72,275,064	71,298,139
Capital ratios (as percentage of total risk exposure amount)				
CET1	15.9%	14.9%	15.5%	16.2%
CET1 as if IFRS 9 transitional arrangements had not been applied	15.6%	14.6%	15.2%	15.6%
Tier 1	18.1%	17.1%	17.8%	16.4%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	17.9%	16.8%	17.5%	15.9%
Total capital	20.6%	19.5%	18.8%	17.5%
Total capital as if IFRS 9 trans. Arrangements had not been applied	20.4%	19.3%	18.6%	16.9%
Leverage ratio				
Total Leverage ratio exposure amount	149,253,950	148,533,214	148,533,214	147,228,262
Leverage ratio	8.8%	8.7%	8.7%	8.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	8.7%	8.5%	8.5%	8.6%

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9		Klarna Bank AB (publ)			
		SEKK	30 Sep 2024	30 Jun 2024	30 Jun 2024
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital		19,585,469	19,528,976	13,891,161	14,544,426
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied		19,424,172	19,337,300	13,680,570	14,094,565
Tier 1 capital		19,861,469	19,804,976	14,167,161	14,820,426
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		19,700,172	19,613,300	13,956,570	14,370,565
Total capital		19,861,469	19,804,976	14,167,161	14,820,426
Total capital as if IFRS 9 transitional arrangements had not been applied		19,700,172	19,613,300	13,956,570	14,370,565
Risk exposure amounts					
Total risk exposure amount		95,533,539	93,232,253	89,615,070	90,210,031
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied		95,372,242	93,040,577	89,404,479	89,760,171
Capital ratios (as percentage of total risk exposure amount)					
CET1		20.5%	20.9%	15.5%	16.1%
CET1 as if IFRS 9 transitional arrangements had not been applied		20.4%	20.8%	15.3%	15.7%
Tier 1		20.8%	21.2%	15.8%	16.4%
Tier 1 as if IFRS 9 transitional arrangements had not been applied		20.7%	21.1%	15.6%	16.0%
Total capital		20.8%	21.2%	15.8%	16.4%
Total capital as if IFRS 9 transitional arrangements had not been applied		20.7%	21.1%	15.6%	16.0%
Leverage ratio					
Total Leverage ratio exposure amount		166,106,900	162,473,264	159,999,516	145,722,422
Leverage ratio		12.0%	12.2%	8.9%	10.2%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied		11.9%	12.2%	8.7%	9.9%

Disclosure of information regarding capital adequacy and capital ratios

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

Own funds disclosure			Regulation (EU) No 575/2013 Article reference
SEKk	Consolidated Situation	Klarna Bank AB (publ)	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	42,109,976	40,688,782	26(1), 27, 28, 29
of which: Share capital	3,034	80,986	26(3)
of which: Share premium	42,106,942	40,607,796	26(3)
Retained earnings	-20,917,571	-20,937,507	26(1)(c)
Accumulated other comprehensive income (and other reserves)	736,971	1,490,026	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	21,929,376	21,241,301	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-1,154	-812	34, 105
Intangible assets (net of related tax liability)	-10,111,547	-1,333,615	36(1)(b), 37
Losses for the current financial year	0	0	36(1)(a), 26(2)
IFRS 9 transitional adjustments to CET1 Capital	208,376	161,297	473a(8)
Deferred tax assets rely on future profitability	-32,944	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-482,702	-482,702	36(1)(k)(ii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-10,419,971	-1,655,832	
Common Equity Tier 1 (CET1) capital	11,509,405	19,585,469	
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	143,193		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	1,643,193	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	1,643,193	276,000	
Tier 1 capital (T1 = CET1 + AT1)	13,152,598	19,861,469	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	1,787,680	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	1,787,680	0	

Tier 2 (T2) capital: regulatory adjustments**Total regulatory adjustments to Tier 2 (T2) capital****Tier 2 (T2) capital instruments****Own funds (TC = T1 + T2)****Total risk exposure amount**

1,787,680	0
14,940,278	19,861,469
72,560,101	95,533,539

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

Common Equity Tier 1	15.9%	20.5%	92(2)(a)
Tier 1	18.1%	20.8%	92(2)(b)
Total capital	20.6%	20.8%	92(2)(c)
Overall capital requirement (OCR) ratio	12.5%	12.8%	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	1.1%	1.2%	CRD 130
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	10.8%	15.4%	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)	336,497	109,996	36(1)(c), 38, 48