

Publication of information concerning capital adequacy and liquidity management

28 February 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 December, 2023.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated 31 Dec 2023	Klarna Bank AB (publ) 31 Dec 2023
SEKk		
Own funds		
Common Equity Tier 1 capital	11,631,947	14,544,426
Additional Tier 1 capital	176,895	276,000
Tier 2 capital	751,103	0
Own funds	12,559,945	14,820,426
Risk exposure amount		
Credit risk according to standardized approach	64,478,700	82,196,409
Securitisation positions	1,445,744	1,445,744
Market risk according to standardized approach	1,217,142	1,636,775
Operational risk according to alternative standardized approach	4,534,674	4,813,346
Credit valuation adjustment	117,757	117,757
Total risk exposure amount	71,794,017	90,210,031
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	16.2%	16.1%
Tier 1 capital ratio	16.4%	16.4%
Total capital ratio	17.5%	16.4%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	8.0%	8.0%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.0%	1.0%
CET1 available after meeting the total SREP own funds requirements (%)	11.2%	11.0%
Leverage ratio		
Tier 1 capital	11,808,842	14,820,426
Total Leverage ratio exposure amount	131,830,983	145,722,422
Leverage ratio	9.0%	10.2%

**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	23,191,611	0	0
Regional governments or local authorities	2,682,644	0	0
Public sector entities	1,163,258	0	0
Multilateral development banks	1,776,933	0	0
International organisations	1,101,901	0	0
Institutions	5,909,510	1,181,902	94,552
Corporates	9,440,161	9,150,032	732,003
Retail	63,937,853	47,953,390	3,836,271
Exposures in default	566,722	620,274	49,622
Covered bonds	506,118	50,612	4,049
Equity	345,475	742,315	59,385
Other items	4,395,313	4,780,175	382,414
Total	115,017,499	64,478,700	5,158,296

**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	22,862,656	0	0
Regional governments or local authorities	2,682,644	0	0
Public sector entities	1,163,258	0	0
Multilateral development banks	1,776,933	0	0
International organisations	1,101,901	0	0
Institutions	3,157,754	631,551	50,524
Corporates	22,687,145	22,395,640	1,791,651
Retail	51,787,079	38,840,309	3,107,225
Exposures in default	565,029	731,422	58,514
Covered bonds	506,118	50,612	4,049
Equity	15,810,159	16,206,999	1,296,560
Other items	3,239,883	3,339,876	267,190
Total	127,340,559	82,196,409	6,575,713

Internally assessed capital requirement

As of 31 December, 2023, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 9.1bn and for Klarna Bank AB (publ) to SEK 11.5bn, comprising the minimum capital requirement under Pillar I, the capital requirement for risks managed under Pillar II and the combined buffer requirements.

Sources of funding

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

Liquidity reserve

As of 31 December, 2023, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 29.2bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 29.2bn and consisted of high-quality liquid assets.

IFRS 9 Transitional adjustments

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

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 SEkk	Klarna Holding AB (publ) Consolidated			
	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	11,631,947	13,077,846	12,494,171	13,084,917
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	11,136,069	12,574,761	11,834,763	12,485,469
Tier 1 capital	11,808,842	13,250,324	12,921,780	13,492,500
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	11,312,965	12,747,239	12,262,372	12,893,052
Total capital	12,559,945	14,001,183	13,426,912	13,719,545
Total capital as if IFRS 9 transitional arrangements had not been applied	12,064,068	13,498,098	12,767,504	13,120,097
Risk exposure amounts				
Total risk exposure amount	71,794,017	65,644,572	67,624,000	57,853,017
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	71,298,139	65,141,487	66,964,593	57,253,568
Capital ratios (as percentage of total risk exposure amount)				
CET1	16.2%	19.9%	18.5%	22.6%
CET1 as if IFRS 9 transitional arrangements had not been applied	15.6%	19.3%	17.7%	21.8%
Tier 1	16.4%	20.2%	19.1%	23.3%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	15.9%	19.6%	18.3%	22.5%
Total capital	17.5%	21.3%	19.9%	23.7%
Total capital as if IFRS 9 trans. Arrangements had not been applied	16.9%	20.7%	19.1%	22.9%
Leverage ratio				
Total Leverage ratio exposure amount	131,830,983	124,689,498	116,236,998	114,258,382
Leverage ratio	9.0%	10.6%	11.1%	11.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	8.6%	10.3%	10.6%	11.3%

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 Dec 2023	30 Sep 2023	30 Jun 2023
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital		14,544,426	13,276,158	13,183,977	12,934,161
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied		14,094,565	12,883,047	12,634,161	12,425,719
Tier 1 capital		14,820,426	13,552,158	13,459,977	13,210,161
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		14,370,565	13,159,047	12,910,161	12,701,719
Total capital		14,820,426	13,552,158	13,459,977	13,513,456
Total capital as if IFRS 9 transitional arrangements had not been applied		14,370,565	13,159,047	12,910,161	13,005,013
Risk exposure amounts					
Total risk exposure amount		90,210,031	79,891,534	80,953,596	71,212,769
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied		89,760,171	79,498,423	80,403,781	70,704,327
Capital ratios (as percentage of total risk exposure amount)					
CET1		16.1%	16.6%	16.3%	18.2%
CET1 as if IFRS 9 transitional arrangements had not been applied		15.7%	16.2%	15.7%	17.6%
Tier 1		16.4%	17.0%	16.6%	18.6%
Tier 1 as if IFRS 9 transitional arrangements had not been applied		16.0%	16.6%	16.1%	18.0%
Total capital		16.4%	17.0%	16.6%	19.0%
Total capital as if IFRS 9 transitional arrangements had not been applied		16.0%	16.6%	16.1%	18.4%
Leverage ratio					
Total Leverage ratio exposure amount		145,722,422	136,001,842	126,965,311	124,957,033
Leverage ratio		10.2%	10.0%	10.6%	10.6%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied		9.9%	9.7%	10.2%	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	42,089,325	35,317,909	26(1), 27, 28, 29
of which: Share capital	3,033	77,644	26(3)
of which: Share premium	42,086,292	35,240,265	26(3)
Retained earnings	-18,559,167	-17,717,093	26(1)(c)
Accumulated other comprehensive income (and other reserves)	590,474	1,275,970	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	24,120,632	18,876,786	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-1,198	-1,198	34, 105
Intangible assets (net of related tax liability)	-10,288,312	-1,414,431	36(1)(b), 37
Losses for the current financial year	-2,331,627	-3,028,286	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	495,878	449,861	473a(8)
Deferred tax assets rely on future profitability	-25,120	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-338,306	-338,306	36(1)(k)(iii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-12,488,685	-4,332,360	
Common Equity Tier 1 (CET1) capital	11,631,947	14,544,426	
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	0	276,000	51, 52
of which: classified as equity under applicable accounting standards	0	276,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	176,895		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	176,895	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	176,895	276,000	
Tier 1 capital (T1 = CET1 + AT1)	11,808,842	14,820,426	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	751,103	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	751,103	0	

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

Tier 2 (T2) capital instruments	751,103	0	
Own funds (TC = T1 + T2)	12,559,945	14,820,426	
Total risk exposure amount	71,794,017	90,210,031	

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

Common Equity Tier 1	16.2%	16.1%	92(2)(a)
Tier 1	16.4%	16.4%	92(2)(b)
Total capital	17.5%	16.4%	92(2)(c)
Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer)	8.0%	8.0%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	1.0%	1.0%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	11.2%	11.0%	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)	256,582	66,665	36(1)(c), 38, 48