

Publication of information concerning capital adequacy and liquidity management

25 August 2021

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 and 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 its consolidated situation as of June 30, 2021.

Summary of capital adequacy information SEKk	Klarna Holding	Klarna Bank AB
	30 Jun 2021	30 Jun 2021
Own funds		
Common Equity Tier 1 capital	20,208,410	17,587,339
Additional Tier 1 capital	328,579	250,000
Tier 2 capital	120,144	300,824
Own funds	20,657,133	18,138,163
Risk exposure amount		
Credit risk according to standardized approach	47,809,118	49,243,229
Market risk according to standardized approach	1,845,071	2,978,446
Operational risk according to alternative standardized approach	2,252,092	2,202,000
Credit valuation adjustment	3,129	3,129
Total risk exposure amount	51,909,410	54,426,804
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	38.9%	32.3%
Tier 1 capital ratio	39.6%	32.8%
Total capital ratio	39.8%	33.3%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	7.0%	7.0%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.0%	0.0%
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	34.4%	27.8%
Leverage ratio		
Tier 1 capital	20,536,988	17,837,339
Total Leverage ratio exposure amount	77,508,474	77,787,771
Leverage ratio	26.5%	22.9%

Capital requirements for credit risk per exposure class, standardized approach

SEKk

Klarna Holding

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	10,355,141	0	0
Regional governments or local authorities	2,954,636	0	0
Public sector entities	26,073	0	0
Multilateral development banks	2,105,245	0	0
Institutions	2,515,470	503,094	40,248
Corporates	5,109,811	5,034,248	402,740
Retail	45,463,752	34,097,814	2,727,825
Exposures in default	745,589	766,756	61,340
Covered bonds	1,304,010	130,401	10,432
Equity	969,029	1,126,680	90,134
Other items	4,469,635	6,150,126	492,010
Total	76,018,391	47,809,119	3,824,729

Capital requirements for credit risk per exposure class, standardized approach

SEKk

Klarna Bank AB

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	10,235,321	0	0
Regional governments or local authorities	2,954,636	0	0
Public sector entities	26,073	0	0
Multilateral development banks	2,105,245	0	0
Institutions	1,250,103	250,021	20,002
Corporates	7,424,274	7,362,584	589,007
Retail	42,957,512	32,218,134	2,577,451
Exposures in default	736,240	757,406	60,593
Covered bonds	1,304,010	130,401	10,432
Equity	3,741,945	3,899,597	311,968
Other items	3,532,798	4,625,086	370,007
Total	76,268,157	49,243,229	3,939,460

Internally assessed capital requirement

As of June 30, 2021, the internally assessed capital requirement for the consolidated situation amounted to SEK 6.0bn and for Klarna Bank AB (publ) to SEK 6.4bn, 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 June 30, 2021, 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 June 30, 2021, Klarna's liquidity reserve amounted to SEK 15.4bn and consisted of high-quality liquid assets.

IFRS 9 Transitional adjustments

From January 1, 2018 Klarna applies the transitional rules in accordance with article 473(a) of the European Union regulation no 575/2013 in order to phase in the effect on capital when applying IFRS 9. The capital adequacy calculations are adjusted with a dynamic and two static amounts over a period spanning 5 years. From June 2020 the transitional rules also have taken into account the effects of Covid-19 on the IFRS9 model, which prolonged the period of application.

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9	Klarna Holding			
	SEKk	30 Jun 2021	31 Mar 2021	31 Dec 2020
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	20,208,410	17,545,501	12,514,158	12,573,662
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	19,301,901	16,727,123	11,807,447	12,109,375
Tier 1 capital	20,536,988	17,936,746	12,978,002	13,061,473
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	19,630,480	17,118,369	12,271,291	12,597,186
Total capital	20,657,133	18,317,408	13,529,578	13,649,871
Total capital as if IFRS 9 transitional arrangements had not been applied	19,750,624	17,499,031	12,822,867	13,185,584
Risk exposure amounts				
Total risk exposure amount	51,909,410	47,985,182	42,390,354	34,077,910
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	51,002,902	47,166,805	41,683,643	33,613,623
Capital ratios (as percentage of total risk exposure amount)				
CET1	38.9%	36.6%	29.5%	36.9%
CET1 as if IFRS 9 transitional arrangements had not been applied	37.8%	35.5%	28.3%	36.0%
Tier 1	39.6%	37.4%	30.6%	38.3%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	38.5%	36.3%	29.4%	37.5%
Total capital	39.8%	38.2%	31.9%	40.1%
Total capital as if IFRS 9 trans. Arrangements had not been applied	38.7%	37.1%	30.8%	39.2%
Leverage ratio				
Total Leverage ratio exposure amount	77,508,474	79,800,669	62,564,979	58,030,311
Leverage ratio	26.5%	22.5%	20.7%	22.5%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied		21.7%	19.8%	21.9%

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9		Klarna Bank			
SEKk	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital	17,587,339	10,791,993	6,429,038	4,810,577	
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	16,888,524	10,292,441	5,896,730	4,365,228	
Tier 1 capital	17,837,339	11,041,993	6,679,038	5,060,577	
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	17,138,524	10,542,441	6,146,730	4,615,228	
Total capital	18,138,163	11,641,173	7,278,158	5,659,558	
Total capital as if IFRS 9 transitional arrangements had not been applied	17,439,348	11,141,621	6,745,850	5,214,209	
Risk exposure amounts					
Total risk exposure amount	54,426,804	52,048,317	47,868,892	36,403,578	
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	53,727,989	51,548,765	47,336,584	35,958,229	
Capital ratios (as percentage of total risk exposure amount)					
CET1	32.3%	20.7%	13.4%	13.2%	
CET1 as if IFRS 9 transitional arrangements had not been applied	31.4%	20.0%	12.5%	12.1%	
Tier 1	32.8%	21.2%	13.9%	13.9%	
Tier 1 as if IFRS 9 transitional arrangements had not been applied	31.9%	20.5%	13.0%	12.8%	
Total capital	33.3%	22.4%	15.2%	15.5%	
Total capital as if IFRS 9 trans. Arrangements had not been applied	32.5%	21.6%	14.3%	14.5%	
Leverage ratio					
Total Leverage ratio exposure amount	77,787,771	80,609,128	62,442,688	13,016,473	
Leverage ratio	22.9%	13.7%	10.2%	8.8%	
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	22.2%	13.2%	9.3%	8.1%	

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) 1423/2013 Ann

Own funds disclosure	Regulation (EU) No 575/2013		
SEKk	Klarna Holding	Klarna Bank AB	Article reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	24,854,232	20,358,298	26(1), 27, 28, 29
of which: Share capital	2,548	58,369	26(3)
of which: Share premium	24,851,684	20,299,929	26(3)
Retained earnings	-1,355,269	-2,280,656	26(1)(c)
Accumulated other comprehensive income (and other reserves)	160,138	875,410	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	23,659,101	18,953,052	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-1,146	-1,146	34, 105
Intangible assets (net of related tax liability)	-3,004,881	-814,266	36(1)(b), 37
Losses for the current financial year	-1,351,173	-1,249,116	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	906,509	698,815	473a(8)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-3,450,691	-1,365,713	
Common Equity Tier 1 (CET1) capital	20,208,410	17,587,339	
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	256,371	250,000	51, 52
of which: classified as equity under applicable accounting standards	256,371	250,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	72,207		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	328,578	250,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	328,579	250,000	
Tier 1 capital (T1 = CET1 + AT1)	20,536,988	17,837,339	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts		300,824	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	120,144		87, 88
Tier 2 (T2) capital before regulatory adjustment	120,144	300,824	

Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital			
Tier 2 (T2) capital instruments	120,144	300,824	
Own funds (TC = T1 + T2)	20,657,133	18,138,163	
Total risk exposure amount	51,909,410	54,426,804	
Capital ratios and buffers			
(as percentage of total risk exposure amount)			
Common Equity Tier 1	38.9%	32.3%	92(2)(a)
Tier 1	39.6%	32.8%	92(2)(b)
Total capital	39.8%	33.3%	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)	7.0%	7.0%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	0.0%	0.0%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	34.4%	27.8%	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)	105,101	105,101	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)	1,120,333	728,195	36(1)(c), 38, 48