

## Publication of information concerning capital adequacy and liquidity management

26 November 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](http://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 figures in the below tables are unrounded.

The information is presented for Klarna Bank AB (publ) (556737-0431) and its consolidated situation as of September 30, 2021.

Summary of capital adequacy information	Consolidated situation	Klarna Bank AB
SEKk	30 Sep 2021	30 Sep 2021
<b>Own funds</b>		
Common Equity Tier 1 capital	22,064,181	15,578,869
Additional Tier 1 capital	354,611	250,000
Tier 2 capital	156,496	301,014
<b>Own funds</b>	<b>22,575,288</b>	<b>16,129,884</b>
<b>Risk exposure amount</b>		
Credit risk according to standardized approach	49,233,920	53,514,463
Market risk according to standardized approach	1,359,983	2,645,270
Operational risk according to alternative standardized approach	2,252,092	2,202,000
Credit valuation adjustment	4,482	4,482
<b>Total risk exposure amount</b>	<b>52,850,478</b>	<b>58,366,215</b>
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	41.7%	26.7%
Tier 1 capital ratio	42.4%	27.1%
Total capital ratio	42.7%	27.6%
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.	37.2%	22.2%
<b>Leverage ratio</b>		
Tier 1 capital	22,418,791	15,828,869
Total Leverage ratio exposure amount	90,417,969	93,730,670
Leverage ratio	24.8%	16.9%

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

<b>Exposure class</b>	<b>Exposure amount</b>	<b>Risk weighted exposure amount</b>	<b>Capital requirement</b>
Central governments or central banks	18,852,799	0	0
Regional governments or local authorities	2,719,517	0	0
Public sector entities	26,083	0	0
Multilateral development banks	3,095,066	0	0
Institutions	4,243,450	858,414	68,673
Corporates	6,254,104	6,170,667	493,653
Retail	47,786,842	35,840,132	2,867,211
Exposures in default	592,027	614,225	49,138
Covered bonds	1,291,540	129,154	10,332
Equity	972,513	1,234,420	98,754
Other items	4,035,260	4,386,908	350,953
<b>Total</b>	<b>89,869,204</b>	<b>49,233,920</b>	<b>3,938,714</b>

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

<b>Exposure class</b>	<b>Exposure amount</b>	<b>Risk weighted exposure amount</b>	<b>Capital requirement</b>
Central governments or central banks	18,731,738	0	0
Regional governments or local authorities	2,719,517	0	0
Public sector entities	26,083	0	0
Multilateral development banks	3,095,066	0	0
Institutions	3,062,695	622,263	49,781
Corporates	8,484,524	8,421,829	673,746
Retail	44,755,761	33,566,821	2,685,346
Exposures in default	540,320	562,518	45,001
Covered bonds	1,291,540	129,154	10,332
Equity	6,900,910	7,162,817	573,025
Other items	3,049,065	3,049,060	243,925
<b>Total</b>	<b>92,657,221</b>	<b>53,514,463</b>	<b>4,281,157</b>

**Internally assessed capital requirement**

As of September 30, 2021, the internally assessed capital requirement for the consolidated situation amounted to SEK 6.2bn and for Klarna Bank AB (publ) to SEK 6.9bn, 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 September 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 September 30, 2021, Klarna's liquidity reserve amounted to SEK 25.6bn 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 SEKk	Consolidated situation			
	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
<b>Available capital (amounts)</b>				
Common Equity Tier 1 (CET1) capital	22,064,181	20,208,410	17,545,501	12,514,158
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	20,977,244	19,301,901	16,727,123	11,807,447
Tier 1 capital	22,418,791	20,536,988	17,936,746	12,978,002
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,331,854	19,630,480	17,118,369	12,271,291
Total capital	22,575,288	20,657,133	18,317,408	13,529,578
Total capital as if IFRS 9 transitional arrangements had not been applied	21,488,350	19,750,624	17,499,031	12,822,867
<b>Risk exposure amounts</b>				
Total risk exposure amount	52,850,478	51,909,410	47,985,182	42,390,354
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	51,763,541	51,002,902	47,166,805	41,683,643
<b>Capital ratios (as percentage of total risk exposure amount)</b>				
CET1	41.7%	38.9%	36.6%	29.5%
CET1 as if IFRS 9 transitional arrangements had not been applied	40.5%	37.8%	35.5%	28.3%
Tier 1	42.4%	39.6%	37.4%	30.6%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	41.2%	38.5%	36.3%	29.4%
Total capital	42.7%	39.8%	38.2%	31.9%
Total capital as if IFRS 9 trans. Arrangements had not been applied	41.5%	38.7%	37.1%	30.8%
<b>Leverage ratio</b>				
Total Leverage ratio exposure amount	90,417,969	77,508,474	79,800,669	62,564,979
Leverage ratio	24.8%	26.5%	22.5%	20.7%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	23.9%	25.6%	21.7%	19.8%

<b>Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9</b>		<b>Klarna Bank</b>			
		<b>SEKk</b>	<b>30 Sep 2021</b>	<b>30 Jun 2021</b>	<b>31 Mar 2021</b>
<b>Available capital (amounts)</b>					
Common Equity Tier 1 (CET1) capital		15,578,869	17,587,339	10,791,993	6,429,038
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied		14,794,918	16,888,524	10,292,441	5,896,730
Tier 1 capital		15,828,869	17,837,339	11,041,993	6,679,038
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		15,044,918	17,138,524	10,542,441	6,146,730
Total capital		16,129,884	18,138,163	11,641,173	7,278,158
Total capital as if IFRS 9 transitional arrangements had not been applied		15,345,933	17,439,348	11,141,621	6,745,850
<b>Risk exposure amounts</b>					
Total risk exposure amount		58,366,215	54,426,804	52,048,317	47,868,892
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied		57,582,264	53,727,989	51,548,765	47,336,584
<b>Capital ratios (as percentage of total risk exposure amount)</b>					
CET1		26.7%	32.3%	20.7%	13.4%
CET1 as if IFRS 9 transitional arrangements had not been applied		25.7%	31.4%	20.0%	12.5%
Tier 1		27.1%	32.8%	21.2%	13.9%
Tier 1 as if IFRS 9 transitional arrangements had not been applied		26.1%	31.9%	20.5%	13.0%
Total capital		27.6%	33.3%	22.4%	15.2%
Total capital as if IFRS 9 trans. Arrangements had not been applied		26.7%	32.5%	21.6%	14.3%
<b>Leverage ratio</b>					
Total Leverage ratio exposure amount		93,730,670	77,787,771	80,609,128	62,442,688
Leverage ratio		16.9%	22.9%	13.7%	10.2%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied		16.2%	22.2%	13.2%	9.3%

## 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	<i>Regulation (EU) No 575/2013</i>		
SEkk	Consolidated situation	Klarna Bank AB	Article reference
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	32,009,584	20,358,298	26(1), 27, 28, 29
of which: Share capital	2,597	58,369	26(3)
of which: Share premium	32,006,987	20,299,929	26(3)
Retained earnings	-1,349,081	-2,366,781	26(1)(c)
Accumulated other comprehensive income (and other reserves)	212,387	972,642	26(1)
Independently reviewed interim profits			26(2)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>30,872,890</b>	<b>18,964,159</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
Additional value adjustments	-1,427	-1,427	34, 105
Intangible assets (net of related tax liability)	-6,236,364	-786,645	36(1)(b), 37
Losses for the current financial year	-2,423,380	-2,346,429	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	1,086,937	783,951	473a(8)
Deferred tax assets rely on future profitability	-1,234,476	-1,034,741	IAS 12.5, 36(1)(c)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-8,808,710</b>	<b>-3,385,289</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>22,064,181</b>	<b>15,578,869</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
Capital instruments and the related share premium accounts	256,372	250,000	51, 52
of which: classified as equity under applicable accounting standards	256,372	250,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	98,239		85, 86
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>354,611</b>	<b>250,000</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>			
<b>Additional Tier 1 (AT1) capital instruments</b>	<b>354,611</b>	<b>250,000</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>22,418,791</b>	<b>15,828,869</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts		301,014	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	156,496		87, 88
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>156,496</b>	<b>301,014</b>	

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

<b>Tier 2 (T2) capital instruments</b>	<b>156,496</b>	<b>301,014</b>	
<b>Own funds (TC = T1 + T2)</b>	<b>22,575,288</b>	<b>16,129,884</b>	
<b>Total risk exposure amount</b>	<b>52,850,478</b>	<b>58,366,215</b>	

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

Common Equity Tier 1	41.7%	26.7%	92(2)(a)
Tier 1	42.4%	27.1%	92(2)(b)
Total capital	42.7%	27.6%	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.	37.2%	22.2%	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)	174,604	174,604	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)	234,439	0	36(1)(c), 38, 48