

# Publication of information concerning capital adequacy and liquidity management

28 February 2022

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 December 31, 2021.

Summary of capital adequacy information	Consolidated situation	Klarna Bank AB
SEKk	31 Dec 2021	31 Dec 2021
<b>Own funds</b>		
Common Equity Tier 1 capital	19,372,837	19,170,496
Additional Tier 1 capital	340,301	250,000
Tier 2 capital	142,356	301,056
<b>Own funds</b>	<b>19,855,494</b>	<b>19,721,552</b>
<b>Risk exposure amount</b>		
Credit risk according to standardized approach	58,919,066	65,398,361
Market risk according to standardized approach	655,927	2,037,608
Operational risk according to alternative standardized approach	2,252,092	2,202,000
Credit valuation adjustment	8,709	8,709
<b>Total risk exposure amount</b>	<b>61,835,794</b>	<b>69,646,678</b>
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	31.3%	27.5%
Tier 1 capital ratio	31.9%	27.9%
Total capital ratio	32.1%	28.3%
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.	26.8%	23.0%
<b>Leverage ratio</b>		
Tier 1 capital	19,713,138	19,420,496
Total Leverage ratio exposure amount	105,225,277	108,773,965
Leverage ratio	18.7%	17.9%

**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	17,110,128	0	0
Regional governments or local authorities	3,873,851	0	0
Public sector entities	0	0	0
Multilateral development banks	4,877,439	0	0
Institutions	6,220,246	1,253,493	100,279
Corporates	6,369,295	6,295,879	503,670
Retail	58,554,424	43,915,818	3,513,265
Exposures in default	732,491	761,934	60,955
Covered bonds	1,132,964	113,296	9,064
Equity	792,259	1,184,791	94,783
Other items	4,926,178	5,393,855	431,508
<b>Total</b>	<b>104,589,276</b>	<b>58,919,066</b>	<b>4,713,525</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	16,886,070	0	0
Regional governments or local authorities	3,873,851	0	0
Public sector entities	0	0	0
Multilateral development banks	4,877,439	0	0
Institutions	3,133,278	636,099	50,888
Corporates	14,043,739	13,984,696	1,118,776
Retail	52,173,353	39,130,015	3,130,401
Exposures in default	671,682	701,125	56,090
Covered bonds	1,132,964	113,296	9,064
Equity	6,839,904	7,232,436	578,595
Other items	3,535,237	3,600,694	288,056
<b>Total</b>	<b>107,167,518</b>	<b>65,398,361</b>	<b>5,231,869</b>

**Internally assessed capital requirement**

As of December 31, 2021, the internally assessed capital requirement for the consolidated situation amounted to SEK 7.2bn and for Klarna Bank AB (publ) to SEK 8.2bn, 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 December 31, 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 December 31, 2021, Klarna's liquidity reserve amounted to SEK 26.7bn 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			
	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
<b>Available capital (amounts)</b>				
Common Equity Tier 1 (CET1) capital	19,372,837	22,064,181	20,208,410	17,545,501
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	17,937,008	20,977,244	19,301,901	16,727,123
Tier 1 capital	19,713,138	22,418,791	20,536,988	17,936,746
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	18,277,308	21,331,854	19,630,480	17,118,369
Total capital	19,855,494	22,575,288	20,657,133	18,317,408
Total capital as if IFRS 9 transitional arrangements had not been applied	18,419,664	21,488,350	19,750,624	17,499,031
<b>Risk exposure amounts</b>				
Total risk exposure amount	61,835,794	52,850,478	51,909,410	47,985,182
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	60,399,965	51,763,541	51,002,902	47,166,805
<b>Capital ratios (as percentage of total risk exposure amount)</b>				
CET1	31.3%	41.7%	38.9%	36.6%
CET1 as if IFRS 9 transitional arrangements had not been applied	29.7%	40.5%	37.8%	35.5%
Tier 1	31.9%	42.4%	39.6%	37.4%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	30.3%	41.2%	38.5%	36.3%
Total capital	32.1%	42.7%	39.8%	38.2%
Total capital as if IFRS 9 trans. Arrangements had not been applied	30.5%	41.5%	38.7%	37.1%
<b>Leverage ratio</b>				
Total Leverage ratio exposure amount	105,225,277	90,417,969	77,508,474	79,800,669
Leverage ratio	18.7%	24.8%	26.5%	22.5%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	17.6%	23.9%	25.6%	21.7%

SEKk	Klarna Bank			
	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
<b>Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9</b>				
<b>Available capital (amounts)</b>				
Common Equity Tier 1 (CET1) capital	19,170,496	15,578,869	17,587,339	10,791,993
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	18,169,766	14,794,918	16,888,524	10,292,441
Tier 1 capital	19,420,496	15,828,869	17,837,339	11,041,993
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	18,419,766	15,044,918	17,138,524	10,542,441
Total capital	19,721,552	16,129,884	18,138,163	11,641,173
Total capital as if IFRS 9 transitional arrangements had not been applied	18,720,822	15,345,933	17,439,348	11,141,621
<b>Risk exposure amounts</b>				
Total risk exposure amount	69,646,678	58,366,215	54,426,804	52,048,317
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	68,645,948	57,582,264	53,727,989	51,548,765
<b>Capital ratios (as percentage of total risk exposure amount)</b>				
CET1	27.5%	26.7%	32.3%	20.7%
CET1 as if IFRS 9 transitional arrangements had not been applied	26.5%	25.7%	31.4%	20.0%
Tier 1	27.9%	27.1%	32.8%	21.2%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	26.8%	26.1%	31.9%	20.5%
Total capital	28.3%	27.6%	33.3%	22.4%
Total capital as if IFRS 9 trans. Arrangements had not been applied	27.3%	26.7%	32.5%	21.6%
<b>Leverage ratio</b>				
Total Leverage ratio exposure amount	108,773,965	93,730,670	77,787,771	80,609,128
Leverage ratio	17.9%	16.9%	22.9%	13.7%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	17.1%	16.2%	22.2%	13.2%

## 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) 1423/2013 Annex IV.

Own funds disclosure			<i>Regulation (EU) No 575/2013</i>
SEKk	Consolidated situation	Klarna Bank AB	<i>Article reference</i>
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	32,237,388	26,366,372	26(1), 27, 28, 29
of which: Share capital	2,602	65,329	26(3)
of which: Share premium	32,234,786	26,301,043	26(3)
Retained earnings	-1,648,704	-2,426,892	26(1)(c)
Accumulated other comprehensive income (and other reserves)	323,523	1,051,163	26(1)
Independently reviewed interim profits			26(2)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>30,912,207</b>	<b>24,990,643</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
Additional value adjustments	-1,487	-1,487	34, 105
Intangible assets (net of related tax liability)	-5,949,231	-772,895	36(1)(b), 37
Losses for the current financial year	-7,016,944	-6,046,495	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	1,435,830	1,000,730	473a(8)
Deferred tax assets rely on future profitability	-7,537	0	IAS 12.5, 36(1)(c)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-11,539,369</b>	<b>-5,820,147</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>19,372,837</b>	<b>19,170,496</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	83,928		85, 86
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>340,301</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>340,301</b>	<b>250,000</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>19,713,138</b>	<b>19,420,496</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts		301,056	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	142,356		87, 88
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>142,356</b>	<b>301,056</b>	

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

<b>Tier 2 (T2) capital instruments</b>	<b>142,356</b>	<b>301,056</b>	
<b>Own funds (TC = T1 + T2)</b>	<b>19,855,494</b>	<b>19,721,552</b>	
<b>Total risk exposure amount</b>	<b>61,835,794</b>	<b>69,646,678</b>	

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

Common Equity Tier 1	31.3%	27.5%	92(2)(a)
Tier 1	31.9%	27.9%	92(2)(b)
Total capital	32.1%	28.3%	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.	26.8%	23.0%	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)	261,688	261,688	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)	311,792	43,641	36(1)(c), 38, 48