

## Publication of information concerning capital adequacy and liquidity management

31 May 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 Klarna Holding Consolidated as of 31 March, 2022.

Summary of capital adequacy information	Klarna Holding Consolidated	Klarna Bank AB
SEKk	31 Mar 2022	31 Mar 2022
<b>Own funds</b>		
Common Equity Tier 1 capital	16,721,116	16,592,515
Additional Tier 1 capital	463,622	526,000
Tier 2 capital	188,947	301,078
<b>Own funds</b>	<b>17,373,685</b>	<b>17,419,593</b>
<b>Risk exposure amount</b>		
Credit risk according to standardized approach	58,808,824	64,980,068
Market risk according to standardized approach	651,201	3,027,865
Operational risk according to alternative standardized approach	3,176,881	3,028,656
Credit valuation adjustment	8,383	8,383
<b>Total risk exposure amount</b>	<b>62,645,288</b>	<b>71,044,971</b>
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	26.7%	23.4%
Tier 1 capital ratio	27.4%	24.1%
Total capital ratio	27.7%	24.5%
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.	22.2%	18.9%
<b>Leverage ratio</b>		
Tier 1 capital	17,184,738	17,118,515
Total Leverage ratio exposure amount	103,125,937	107,010,910
Leverage ratio	16.7%	16.0%

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

**SEKk**

**Klarna Holding Consolidated**

<b>Exposure class</b>	<b>Exposure amount</b>	<b>Risk weighted exposure amount</b>	<b>Capital requirement</b>
Central governments or central banks	10,439,142	0	0
Regional governments or local authorities	6,698,556	0	0
Public sector entities	0	0	0
Multilateral development banks	6,051,605	0	0
Institutions	5,220,079	1,055,745	84,460
Corporates	6,043,475	5,976,319	478,106
Retail	59,073,108	44,304,831	3,544,387
Exposures in default	710,662	739,078	59,126
Covered bonds	1,130,465	113,047	9,044
Equity	460,593	861,457	68,917
Other items	5,260,531	5,758,347	460,668
<b>Total</b>	<b>101,088,215</b>	<b>58,808,824</b>	<b>4,704,706</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	10,226,421	0	0
Regional governments or local authorities	6,698,556	0	0
Public sector entities	0	0	0
Multilateral development banks	6,051,605	0	0
Institutions	2,354,484	482,626	38,610
Corporates	12,841,973	12,787,167	1,022,973
Retail	53,604,313	40,203,234	3,216,259
Exposures in default	649,140	677,556	54,205
Covered bonds	1,130,465	113,047	9,044
Equity	6,514,646	6,915,511	553,241
Other items	3,733,964	3,800,928	304,074
<b>Total</b>	<b>103,805,567</b>	<b>64,980,068</b>	<b>5,198,405</b>

**Internally assessed capital requirement**

As of 31 March, 2022, the internally assessed capital requirement for Klarna Holding Consolidated amounted to SEK 7.4bn and for Klarna Bank AB (publ) to SEK 8.4bn, 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 31 March, 2022, 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 March, 2022, Klarna's liquidity reserve amounted to SEK 23.7bn and consisted of high-quality liquid assets.

## IFRS 9 Transitional adjustments

From 1 January, 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.

SEKk	Klarna Holding Consolidated			
	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 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	16,721,116	19,372,837	22,064,181	20,208,410
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	15,504,576	17,937,008	20,977,244	19,301,901
Tier 1 capital	17,184,738	19,713,138	22,418,791	20,536,988
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	15,968,198	18,277,308	21,331,854	19,630,480
Total capital	17,373,685	19,855,494	22,575,288	20,657,133
Total capital as if IFRS 9 transitional arrangements had not been applied	16,157,145	18,419,664	21,488,350	19,750,624
<b>Risk exposure amounts</b>				
Total risk exposure amount	62,645,288	61,835,794	52,850,478	51,909,410
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	61,428,749	60,399,965	51,763,541	51,002,902
<b>Capital ratios (as percentage of total risk exposure amount)</b>				
CET1	26.7%	31.3%	41.7%	38.9%
CET1 as if IFRS 9 transitional arrangements had not been applied	25.2%	29.7%	40.5%	37.8%
Tier 1	27.4%	31.9%	42.4%	39.6%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	26.0%	30.3%	41.2%	38.5%
Total capital	27.7%	32.1%	42.7%	39.8%
Total capital as if IFRS 9 trans. Arrangements had not been applied	26.3%	30.5%	41.5%	38.7%
<b>Leverage ratio</b>				
Total Leverage ratio exposure amount	103,125,937	105,225,277	90,417,969	77,508,474
Leverage ratio	16.7%	18.7%	24.8%	26.5%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	15.7%	17.6%	23.9%	25.6%

**Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9**

**Klarna Bank AB**

<b>SEkk</b>	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>	<b>30 Sep 2021</b>	<b>30 Jun 2021</b>
<b>Available capital (amounts)</b>				
Common Equity Tier 1 (CET1) capital	16,592,515	19,170,496	15,578,869	17,587,339
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	15,741,618	18,169,766	14,794,918	16,888,524
Tier 1 capital	17,118,515	19,420,496	15,828,869	17,837,339
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	16,267,618	18,419,766	15,044,918	17,138,524
Total capital	17,419,593	19,721,552	16,129,884	18,138,163
Total capital as if IFRS 9 transitional arrangements had not been applied	16,568,697	18,720,822	15,345,933	17,439,348
<b>Risk exposure amounts</b>				
Total risk exposure amount	71,044,971	69,646,678	58,366,215	54,426,804
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	70,194,075	68,645,948	57,582,264	53,727,989
<b>Capital ratios (as percentage of total risk exposure amount)</b>				
CET1	23.4%	27.5%	26.7%	32.3%
CET1 as if IFRS 9 transitional arrangements had not been applied	22.4%	26.5%	25.7%	31.4%
Tier 1	24.1%	27.9%	27.1%	32.8%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	23.2%	26.8%	26.1%	31.9%
Total capital	24.5%	28.3%	27.6%	33.3%
Total capital as if IFRS 9 transitional arrangements had not been applied	23.6%	27.3%	26.7%	32.5%
<b>Leverage ratio</b>				
Total Leverage ratio exposure amount	107,010,910	108,773,965	93,730,670	77,787,771
Leverage ratio	16.0%	17.9%	16.9%	22.9%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	15.3%	17.1%	16.2%	22.2%

## 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			Regulation (EU) No 575/2013
SEKk	Klarna Holding Consolidated	Klarna Bank AB	Article reference
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	32,282,617	26,367,862	26(1), 27, 28, 29
of which: Share capital	2,602	66,819	26(3)
of which: Share premium	32,280,015	26,301,043	26(3)
Retained earnings	-8,665,648	-8,473,387	26(1)(c)
Accumulated other comprehensive income (and other reserves)	465,338	1,049,378	26(1)
Independently reviewed interim profits			26(2)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>24,082,307</b>	<b>18,943,853</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
Additional value adjustments	-1,303	-1,303	34, 105
Intangible assets (net of related tax liability)	-5,970,955	-760,588	36(1)(b), 37
Losses for the current financial year	-2,597,451	-2,440,344	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	1,216,540	850,896	473a(8)
Deferred tax assets rely on future profitability	-8,022	0	IAS 12.5, 36(1)(c)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-7,361,191</b>	<b>-2,351,339</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>16,721,116</b>	<b>16,592,515</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
Capital instruments and the related share premium accounts	256,372	526,000	51, 52
of which: classified as equity under applicable accounting standards	256,372	526,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	207,250		85, 86
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>463,622</b>	<b>526,000</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>463,622</b>	<b>526,000</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>17,184,738</b>	<b>17,118,515</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts		301,078	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	188,947		87, 88
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>188,947</b>	<b>301,078</b>	

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

<b>Tier 2 (T2) capital instruments</b>	<b>188,947</b>	<b>301,078</b>	
<b>Own funds (TC = T1 + T2)</b>	<b>17,373,685</b>	<b>17,419,593</b>	
<b>Total risk exposure amount</b>	<b>62,645,288</b>	<b>71,044,971</b>	

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

Common Equity Tier 1	26.7%	23.4%	92(2)(a)
Tier 1	27.4%	24.1%	92(2)(b)
Total capital	27.7%	24.5%	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.	22.2%	18.9%	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)	267,243	267,243	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)	331,883	44,646	36(1)(c), 38, 48