

Publication of information concerning capital adequacy and liquidity management

31 August 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

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 Klarna Holding AB (publ) Consolidated as of 30 June, 2022.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated	Klarna Bank AB (publ)
SEKk	30 Jun 2022	30 Jun 2022
Own funds		
Common Equity Tier 1 capital	9,386,230	14,379,188
Additional Tier 1 capital	383,688	276,000
Tier 2 capital	201,449	301,223
Own funds	9,971,367	14,956,411
Risk exposure amount		
Credit risk according to standardized approach	58,002,970	68,941,140
Securitisation positions	1,025,674	1,025,674
Market risk according to standardized approach	629,992	927,764
Operational risk according to alternative standardized approach	3,176,881	3,028,656
Credit valuation adjustment	5,316	5,316
Total risk exposure amount	62,840,833	73,928,550
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	14.9%	19.5%
Tier 1 capital ratio	15.5%	19.8%
Total capital ratio	15.9%	20.2%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	7.1%	7.1%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.1%	0.1%
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	10.4%	15.0%
Leverage ratio		
Tier 1 capital	9,769,918	14,655,188
Total Leverage ratio exposure amount	108,326,827	115,756,211
Leverage ratio	9.0%	12.7%

Capital requirements for credit risk per exposure class, standardized approach
Klarna Holding AB (publ) Consolidated
SEKk

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	7,294,636	0	0
Regional governments or local authorities	7,582,238	0	0
Public sector entities	0	0	0
Multilateral development banks	4,147,909	0	0
Institutions	5,883,263	1,189,686	95,175
Corporates	7,477,778	7,237,348	578,988
Retail	56,177,963	42,133,473	3,370,677
Exposures in default	607,513	631,419	50,514
Covered bonds	1,130,970	113,097	9,048
Equity	323,358	720,859	57,669
Other items	5,388,247	5,977,088	478,167
Total	96,013,875	58,002,970	4,640,238

Capital requirements for credit risk per exposure class, standardized approach
Klarna Bank AB (publ)
SEKk

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	6,982,067	0	0
Regional governments or local authorities	7,582,238	0	0
Public sector entities	0	0	0
Multilateral development banks	4,147,909	0	0
Institutions	2,389,502	490,933	39,275
Corporates	15,216,372	14,986,056	1,198,884
Retail	49,997,350	37,498,014	2,999,840
Exposures in default	548,727	572,633	45,811
Covered bonds	1,130,970	113,097	9,048
Equity	11,007,881	11,405,382	912,431
Other items	3,807,886	3,875,025	310,002
Total	102,810,902	68,941,140	5,515,291

Internally assessed capital requirement

As of 30 June, 2022, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 7.5bn and for Klarna Bank AB (publ) to SEK 8.8bn, 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 30 June, 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 30 June, 2022, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 15.0bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 15.0bn 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.

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9				
	Klarna Holding AB (publ) Consolidated			
SEKk	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	9,386,230	16,721,116	19,372,837	22,064,181
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	7,941,126	15,504,576	17,937,008	20,977,244
Tier 1 capital	9,769,918	17,184,738	19,713,138	22,418,791
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	8,324,814	15,968,198	18,277,308	21,331,854
Total capital	9,971,367	17,373,685	19,855,494	22,575,288
Total capital as if IFRS 9 transitional arrangements had not been applied	8,526,263	16,157,145	18,419,664	21,488,350
Risk exposure amounts				
Total risk exposure amount	62,840,833	62,645,288	61,835,794	52,850,478
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	61,395,727	61,428,749	60,399,965	51,763,541
Capital ratios (as percentage of total risk exposure amount)				
CET1	14.9%	26.7%	31.3%	41.7%
CET1 as if IFRS 9 transitional arrangements had not been applied	12.9%	25.2%	29.7%	40.5%
Tier 1	15.5%	27.4%	31.9%	42.4%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	13.6%	26.0%	30.3%	41.2%
Total capital	15.9%	27.7%	32.1%	42.7%
Total capital as if IFRS 9 trans. Arrangements had not been applied	13.9%	26.3%	30.5%	41.5%
Leverage ratio				
Total Leverage ratio exposure amount	108,326,827	103,125,937	105,225,277	90,417,969
Leverage ratio	9.0%	16.7%	18.7%	24.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	7.9%	15.7%	17.6%	23.9%

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

Klarna Bank AB (publ)

SEKk	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	14,379,188	16,592,515	19,170,496	15,578,869
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	13,342,345	15,741,618	18,169,766	14,794,918
Tier 1 capital	14,655,188	17,118,515	19,420,496	15,828,869
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	13,618,345	16,267,618	18,419,766	15,044,918
Total capital	14,956,411	17,419,593	19,721,552	16,129,884
Total capital as if IFRS 9 transitional arrangements had not been applied	13,919,568	16,568,697	18,720,822	15,345,933
Risk exposure amounts				
Total risk exposure amount	73,928,550	71,044,971	69,646,678	58,366,215
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	72,891,707	70,194,075	68,645,948	57,582,264
Capital ratios (as percentage of total risk exposure amount)				
CET1	19.5%	23.4%	27.5%	26.7%
CET1 as if IFRS 9 transitional arrangements had not been applied	18.3%	22.4%	26.5%	25.7%
Tier 1	19.8%	24.1%	27.9%	27.1%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	18.7%	23.2%	26.8%	26.1%
Total capital	20.2%	24.5%	28.3%	27.6%
Total capital as if IFRS 9 transitional arrangements had not been applied	19.1%	23.6%	27.3%	26.7%
Leverage ratio				
Total Leverage ratio exposure amount	115,756,211	107,010,910	108,773,965	93,730,670
Leverage ratio	12.7%	16.0%	17.9%	16.9%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.9%	15.3%	17.1%	16.2%

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	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	33,180,437	27,240,190	26(1), 27, 28, 29
of which: Share capital	2,641	67,794	26(3)
of which: Share premium	33,177,796	27,172,396	26(3)
Retained earnings	-8,665,648	-8,473,387	26(1)(c)
Accumulated other comprehensive income (and other reserves)	913,665	996,274	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	25,428,454	19,763,077	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-1,898	-1,360	34, 105
Intangible assets (net of related tax liability)	-10,890,179	-784,904	36(1)(b), 37
Losses for the current financial year	-6,315,955	-5,364,660	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	1,445,104	1,036,842	473a(8)
Deferred tax assets rely on future profitability	-9,489	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-269,807	-269,807	36(1)(k)(iii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-16,042,224	-5,383,889	
Common Equity Tier 1 (CET1) capital	9,386,230	14,379,188	
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	256,372	276,000	51, 52
of which: classified as equity under applicable accounting standards	256,372	276,000	
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	127,316		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	383,688	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	383,688	276,000	
Tier 1 capital (T1 = CET1 + AT1)	9,769,918	14,655,188	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts		301,223	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	201,449		87, 88
Tier 2 (T2) capital before regulatory adjustment	201,449	301,223	

Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital			
Tier 2 (T2) capital instruments	201,449	301,223	
Own funds (TC = T1 + T2)	9,971,367	14,956,411	
Total risk exposure amount	62,840,833	73,928,550	
Capital ratios and buffers (as percentage of total risk exposure amount)			
Common Equity Tier 1	14.9%	19.5%	92(2)(a)
Tier 1	15.5%	19.8%	92(2)(b)
Total capital	15.9%	20.2%	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)	7.1%	7.1%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	0.1%	0.1%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	10.4%	15.0%	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)	265,001	265,001	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)	392,567	44,762	36(1)(c), 38, 48