

# Publication of information concerning capital adequacy and liquidity management

28 May 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 information is presented for Klarna Bank AB (publ) (556737-0431) and its consolidated situation as of March 31, 2021.

<b>Summary of capital adequacy information</b>		
<b>SEKk</b>	<b>Klarna Holding 31 Mar 2021</b>	<b>Klarna Bank AB 31 Mar 2021</b>
<b>Own funds</b>		
Common Equity Tier 1 capital	17,545,501	10,791,993
Additional Tier 1 capital	391,245	250,000
Tier 2 capital	380,662	599,180
<b>Own funds</b>	<b>18,317,408</b>	<b>11,641,173</b>
<b>Risk exposure amount</b>		
Credit risk according to standardized approach	43,606,644	46,059,908
Market risk according to standardized approach	2,124,663	3,784,626
Operational risk according to alternative standardized approach	2,252,092	2,202,000
Credit valuation adjustment	1,783	1,783
<b>Total risk exposure amount</b>	<b>47,985,182</b>	<b>52,048,317</b>
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	36.6%	20.7%
Tier 1 capital ratio	37.4%	21.2%
Total capital ratio	38.2%	22.4%
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.	32.1%	16.2%
<b>Leverage ratio</b>		
Tier 1 capital	17,936,746	11,041,993
Total Leverage ratio exposure amount	79,800,669	80,609,128
Leverage ratio	22.5%	13.7%

**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	16,106,332	0	0
Regional governments or local authorities	3,962,223	0	0
Public sector entities	26,062	0	0
Multilateral development banks	2,138,533	0	0
Institutions	2,662,575	532,515	42,601
Corporates	4,651,146	4,563,263	365,061
Retail	41,891,693	31,418,770	2,513,502
Exposures in default	464,371	572,131	45,770
Covered bonds	1,455,219	145,522	11,642
Equity	895,861	925,983	74,079
Other items	4,099,361	5,448,460	435,877
<b>Total</b>	<b>78,353,376</b>	<b>43,606,644</b>	<b>3,488,532</b>

**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	15,872,799	0	0
Regional governments or local authorities	3,962,223	0	0
Public sector entities	26,062	0	0
Multilateral development banks	2,138,533	0	0
Institutions	1,151,863	230,373	18,430
Corporates	7,581,644	7,515,393	601,231
Retail	38,793,531	29,095,148	2,327,612
Exposures in default	546,709	654,837	52,387
Covered bonds	1,455,219	145,522	11,642
Equity	4,247,169	4,277,291	342,183
Other items	3,172,873	4,141,344	331,308
<b>Total</b>	<b>78,948,625</b>	<b>46,059,908</b>	<b>3,684,793</b>

**Internally assessed capital requirement**

As of March 31, 2021, the internally assessed capital requirement for the consolidated situation amounted to SEK 5.6bn and for Klarna Bank AB (publ) to SEK 6.1bn, 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 March 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 March 31, 2021, Klarna's liquidity reserve amounted to SEK 22.9bn 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.

<b>Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9</b>		<b>Klarna Holding</b>			
<b>SEKk</b>	<b>31 Mar 2021</b>	<b>31 Dec 2020</b>	<b>30 Sep 2020</b>	<b>30 Jun 2020</b>	
<b>Available capital (amounts)</b>					
Common Equity Tier 1 (CET1) capital	17,545,501	12,514,158	12,573,662	6,993,845	
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	16,727,123	11,807,447	12,109,375	6,573,102	
Tier 1 capital	17,936,746	12,978,002	13,061,473	7,467,786	
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	17,118,369	12,271,291	12,597,186	7,047,043	
Total capital	18,317,408	13,529,578	13,649,871	8,019,930	
Total capital as if IFRS 9 transitional arrangements had not been applied	17,499,031	12,822,867	13,185,584	7,599,187	
<b>Risk exposure amounts</b>					
Total risk exposure amount	47,985,182	42,390,354	34,077,910	31,440,032	
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	47,166,805	41,683,643	33,613,623	31,019,289	
<b>Capital ratios (as percentage of total risk exposure amount)</b>					
CET1	36.6%	29.5%	36.9%	22.3%	
CET1 as if IFRS 9 transitional arrangements had not been applied	35.5%	28.3%	36.0%	21.2%	
Tier 1	37.4%	30.6%	38.3%	23.8%	
Tier 1 as if IFRS 9 transitional arrangements had not been applied	36.3%	29.4%	37.5%	22.7%	
Total capital	38.2%	31.9%	40.1%	25.5%	
Total capital as if IFRS 9 trans. Arrangements had not been applied	37.1%	30.8%	39.2%	24.5%	
<b>Leverage ratio</b>					
Total Leverage ratio exposure amount	79,800,669	62,564,979	58,030,311	45,047,395	
Leverage ratio	22.5%	20.7%	22.5%	16.6%	
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	21.7%	19.8%	21.9%	15.8%	

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9		Klarna Bank AB			
SEKk	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	
<b>Available capital (amounts)</b>					
Common Equity Tier 1 (CET1) capital	10,791,993	6,429,038	4,810,577	4,921,999	
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	10,292,441	5,896,730	4,365,228	4,497,458	
Tier 1 capital	11,041,993	6,679,038	5,060,577	5,171,999	
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	10,542,441	6,146,730	4,615,228	4,747,458	
Total capital	11,641,173	7,278,158	5,659,558	5,770,992	
Total capital as if IFRS 9 transitional arrangements had not been applied	11,141,621	6,745,850	5,214,209	5,346,451	
<b>Risk exposure amounts</b>					
Total risk exposure amount	52,048,317	47,868,892	36,403,578	33,972,007	
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	51,548,765	47,336,584	35,958,229	33,547,466	
<b>Capital ratios (as percentage of total risk exposure amount)</b>					
CET1	20.7%	13.4%	13.2%	14.5%	
CET1 as if IFRS 9 transitional arrangements had not been applied	20.0%	12.5%	12.1%	13.4%	
Tier 1	21.2%	13.9%	13.9%	15.2%	
Tier 1 as if IFRS 9 transitional arrangements had not been applied	20.5%	13.0%	12.8%	14.2%	
Total capital	22.4%	15.2%	15.5%	17.0%	
Total capital as if IFRS 9 trans. arrangements had not been applied	21.6%	14.3%	14.5%	15.9%	
<b>Leverage ratio</b>					
Total Leverage ratio exposure amount	80,609,128	62,442,688	13,016,473	44,822,016	
Leverage ratio	13.7%	10.2%	8.8%	11.5%	
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	13.2%	9.3%	8.1%	10.7%	

## 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	Klarna Bank AB	Article reference
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	21,438,179	12,359,648	26(1), 27, 28, 29
of which: Share capital	2,514	57,115	26(3)
of which: Share premium	21,435,665	12,302,533	26(3)
Retained earnings	-1,264,909	-1,908,506	26(1)(c)

Accumulated other comprehensive income (and other reserves)	223,780	757,926	26(1)
Independently reviewed interim profits			26(2)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>20,397,050</b>	<b>11,209,068</b>	

#### **Common Equity Tier 1 (CET1) capital: regulatory adjustments**

Additional value adjustments	-1,289	-1,289	34,105
Intangible assets (net of related tax liability)	-3,048,085	-401,067	36(1)(b), 37
Losses for the current financial year	-620,552	-514,271	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	818,377	499,552	473a(8)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-2,851,549</b>	<b>-417,075</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>17,545,501</b>	<b>10,791,993</b>	

#### **Additional Tier 1 (AT1) capital: instruments**

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	134,873		85,86
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>391,245</b>	<b>250,000</b>	

#### **Additional Tier 1 (AT1) capital: regulatory adjustments**

<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>			
<b>Additional Tier 1 (AT1) capital instruments</b>	<b>391,245</b>	<b>250,000</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>17,936,746</b>	<b>11,041,993</b>	

#### **Tier 2 (T2) capital: instruments and provisions**

Capital instruments and the related share premium accounts		599,180	62,63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	380,662		87,88
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>380,662</b>	<b>599,180</b>	

#### **Tier 2 (T2) capital: regulatory adjustments**

<b>Total regulatory adjustments to Tier 2 (T2) capital</b>			
<b>Tier 2 (T2) capital instruments</b>	<b>380,662</b>	<b>599,180</b>	
<b>Own funds (TC = T1 + T2)</b>	<b>18,317,408</b>	<b>11,641,173</b>	
<b>Total risk exposure amount</b>	<b>47,985,182</b>	<b>52,048,317</b>	

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

Common Equity Tier 1	36.6%	20.7%	92(2)(a)
Tier 1	37.4%	21.2%	92(2)(b)
Total capital	38.2%	22.4%	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.	32.1%	16.2%	CRD 128

**Amounts below the thresholds for deduction  
(before risk-weighting)**

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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)	20,081	20,081	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)	899,408	645,650	36(1)(c), 38, 48