

# Publication of information concerning capital adequacy and liquidity management

**29 November 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 information is presented for Klarna Bank AB (publ) (556737-0431) and Klarna Holding AB (publ) Consolidated as of 30 September, 2022.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated 30 Sep 2022	Klarna Bank AB (publ) 30 Sep 2022
<b>SEkk</b>		
<b>Own funds</b>		
Common Equity Tier 1 capital	15,902,917	11,920,844
Additional Tier 1 capital	424,249	276,000
Tier 2 capital	252,869	301,816
<b>Own funds<sup>1</sup></b>	<b>16,580,035</b>	<b>12,498,660</b>
<b>Risk exposure amount</b>		
Credit risk according to standardized approach	57,710,001	67,183,906
Securitisation positions	1,050,448	1,050,448
Market risk according to standardized approach	1,900,740	1,268,582
Operational risk according to alternative standardized approach	3,176,881	3,028,656
Credit valuation adjustment	5,253	5,253
<b>Total risk exposure amount</b>	<b>63,843,323</b>	<b>72,536,845</b>
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	24.9%	16.4%
Tier 1 capital ratio	25.6%	16.8%
Total capital ratio	26.0%	17.2%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	7.4%	7.3%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.4%	0.3%
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	20.4%	11.9%
<b>Leverage ratio</b>		
Tier 1 capital	16,327,166	12,196,844
Total Leverage ratio exposure amount	113,719,292	120,044,010
Leverage ratio	14.4%	10.2%

<sup>1</sup> Recent fundraising in Klarna Holding AB has not yet been distributed to Klarna Bank AB.

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

**Klarna Holding AB (publ) Consolidated**

<b>Exposure class</b>	<b>Exposure amount</b>	<b>Risk weighted exposure amount</b>	<b>Capital requirement</b>
Central governments or central banks	14,549,519	0	0
Regional governments or local authorities	6,918,767	0	0
Public sector entities	0	0	0
Multilateral development banks	5,356,687	0	0
Institutions	6,646,367	1,329,273	106,342
Corporates	8,295,844	8,117,572	649,406
Retail	53,191,542	39,893,656	3,191,492
Exposures in default	604,396	625,741	50,059
Covered bonds	868,979	86,898	6,952
Equity	372,484	792,427	63,394
Other items	6,266,296	6,864,434	549,155
<b>Total</b>	<b>103,070,881</b>	<b>57,710,001</b>	<b>4,616,800</b>

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

**Klarna Bank AB (publ)**

<b>Exposure class</b>	<b>Exposure amount</b>	<b>Risk weighted exposure amount</b>	<b>Capital requirement</b>
Central governments or central banks	14,209,554	0	0
Regional governments or local authorities	6,918,767	0	0
Public sector entities	0	0	0
Multilateral development banks	5,356,687	0	0
Institutions	3,167,770	633,554	50,684
Corporates	14,697,533	14,529,117	1,162,329
Retail	47,448,748	35,586,562	2,846,925
Exposures in default	565,822	587,167	46,973
Covered bonds	868,979	86,898	6,952
Equity	11,062,007	11,481,950	918,556
Other items	4,208,586	4,278,658	342,293
<b>Total</b>	<b>108,504,453</b>	<b>67,183,906</b>	<b>5,374,712</b>

**Internally assessed capital requirement**

As of 30 September, 2022, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 8.0bn and for Klarna Bank AB (publ) to SEK 9.1bn, 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 30 September, 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 September, 2022, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 25.7bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 25.7bn 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.

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 SEKk	Klarna Holding AB (publ) Consolidated			
	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
<b>Available capital (amounts)</b>				
Common Equity Tier 1 (CET1) capital	15,902,917	9,386,230	16,721,116	19,372,837
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	14,555,333	7,941,126	15,504,576	17,937,008
Tier 1 capital	16,327,166	9,769,918	17,184,738	19,713,138
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	14,979,582	8,324,814	15,968,198	18,277,308
Total capital	16,580,035	9,971,367	17,373,685	19,855,494
Total capital as if IFRS 9 transitional arrangements had not been applied	15,232,451	8,526,263	16,157,145	18,419,664
<b>Risk exposure amounts</b>				
Total risk exposure amount	63,843,323	62,840,833	62,645,288	61,835,794
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	62,495,738	61,395,727	61,428,749	60,399,965
<b>Capital ratios (as percentage of total risk exposure amount)</b>				
CET1	24.9%	14.9%	26.7%	31.3%
CET1 as if IFRS 9 transitional arrangements had not been applied	23.3%	12.9%	25.2%	29.7%
Tier 1	25.6%	15.5%	27.4%	31.9%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	24.0%	13.6%	26.0%	30.3%
Total capital	26.0%	15.9%	27.7%	32.1%
Total capital as if IFRS 9 trans. Arrangements had not been applied	24.4%	13.9%	26.3%	30.5%
<b>Leverage ratio</b>				
Total Leverage ratio exposure amount	113,719,292	108,326,827	103,125,937	105,225,277
Leverage ratio	14.4%	9.0%	16.7%	18.7%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	13.3%	7.9%	15.7%	17.6%

<b>Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9</b>		<b>Klarna Bank AB (publ)</b>			
<b>SEkk</b>	<b>30 Sep 2022</b>	<b>30 Jun 2022</b>	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>	
<b>Available capital (amounts)</b>					
Common Equity Tier 1 (CET1) capital	11,920,844	14,379,188	16,592,515	19,170,496	
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	10,821,730	13,342,345	15,741,618	18,169,766	
Tier 1 capital	12,196,844	14,655,188	17,118,515	19,420,496	
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	11,097,730	13,618,345	16,267,618	18,419,766	
Total capital	12,498,660	14,956,411	17,419,593	19,721,552	
Total capital as if IFRS 9 transitional arrangements had not been applied	11,399,546	13,919,568	16,568,697	18,720,822	
<b>Risk exposure amounts</b>					
Total risk exposure amount	72,536,845	73,928,550	71,044,971	69,646,678	
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	71,437,730	72,891,707	70,194,075	68,645,948	
<b>Capital ratios (as percentage of total risk exposure amount)</b>					
CET1	16.4%	19.5%	23.4%	27.5%	
CET1 as if IFRS 9 transitional arrangements had not been applied	15.1%	18.3%	22.4%	26.5%	
Tier 1	16.8%	19.8%	24.1%	27.9%	
Tier 1 as if IFRS 9 transitional arrangements had not been applied	15.5%	18.7%	23.2%	26.8%	
Total capital	17.2%	20.2%	24.5%	28.3%	
Total capital as if IFRS 9 transitional arrangements had not been applied	16.0%	19.1%	23.6%	27.3%	
<b>Leverage ratio</b>					
Total Leverage ratio exposure amount	120,044,010	115,756,211	107,010,910	108,773,965	
Leverage ratio	10.2%	12.7%	16.0%	17.9%	
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	9.3%	11.9%	15.3%	17.1%	

## 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
<b>SEkk</b>			
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	40,652,333	27,560,257	26(1), 27, 28, 29
of which: Share capital	2,967	68,181	26(3)
of which: Share premium	40,649,366	27,492,076	26(3)
Retained earnings	-8,665,648	-8,473,387	26(1)(c)
Accumulated other comprehensive income (and other reserves)	1,175,030	973,669	26(1)
Independently reviewed interim profits			26(2)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>33,161,715</b>	<b>20,060,539</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
Additional value adjustments	-2,074	-1,527	34, 105
Intangible assets (net of related tax liability)	-9,973,178	-1,869,355	36(1)(b), 37
Losses for the current financial year	-8,442,435	-7,188,870	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	1,347,584	1,099,113	473a(8)
Deferred tax assets rely on future profitability	-9,639	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-179,056	-179,056	36(1)(k)(ii)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-17,258,798</b>	<b>-8,139,695</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>15,902,917</b>	<b>11,920,844</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
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	167,877		85, 86
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>424,249</b>	<b>276,000</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>424,249</b>	<b>276,000</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>16,327,166</b>	<b>12,196,844</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts		301,816	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	252,869		87, 88
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>252,869</b>	<b>301,816</b>	

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

<b>Tier 2 (T2) capital instruments</b>	252,869	301,816	
<b>Own funds (TC = T1 + T2)</b>	16,580,035	12,498,660	
<b>Total risk exposure amount</b>	63,843,323	72,536,845	

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

Common Equity Tier 1	24.9%	16.4%	92(2)(a)
Tier 1	25.6%	16.8%	92(2)(b)
Total capital	26.0%	17.2%	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)	7.4%	7.3%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	0.4%	0.3%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	20.4%	11.9%	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)	279,962	279,962	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)	398,767	46,718	36(1)(c), 38, 48