

Publication of information concerning capital adequacy and liquidity management

28 February 2023

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 31 December, 2022.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated 31 Dec 2022	Klarna Bank AB (publ) 31 Dec 2022
SEkk		
Own funds		
Common Equity Tier 1 capital	14,865,057	12,612,549
Additional Tier 1 capital	426,579	276,000
Tier 2 capital	256,136	302,543
Own funds¹	15,547,772	13,191,092
Risk exposure amount		
Credit risk according to standardized approach	62,118,938	73,816,402
Securitisation positions	1,130,882	1,130,882
Market risk according to standardized approach	1,478,298	1,023,299
Operational risk according to alternative standardized approach	3,742,449	3,980,829
Credit valuation adjustment	126,909	126,909
Total risk exposure amount	68,597,476	80,078,321
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	21.7%	15.8%
Tier 1 capital ratio	22.3%	16.1%
Total capital ratio	22.7%	16.5%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	7.5%	7.5%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.5%	0.5%
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	17.2%	11.3%
Leverage ratio		
Tier 1 capital	15,291,636	12,888,549
Total Leverage ratio exposure amount	119,462,467	127,311,502
Leverage ratio	12.8%	10.1%

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

Klarna Holding AB (publ) Consolidated

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	16,982,177	0	0
Regional governments or local authorities	5,063,035	0	0
Public sector entities	0	0	0
Multilateral development banks	5,436,225	0	0
Institutions	4,694,883	938,977	75,118
Corporates	7,784,857	7,702,851	616,228
Retail	59,690,311	44,767,733	3,581,419
Exposures in default	571,883	598,179	47,854
Covered bonds	863,964	86,396	6,912
Equity	337,888	743,560	59,485
Other items	6,718,569	7,281,242	582,499
Total	108,143,792	62,118,938	4,969,515

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

Klarna Bank AB (publ)

Exposure class	Exposure amount	Risk weighted exposure amount	Capital requirement
Central governments or central banks	16,644,666	0	0
Regional governments or local authorities	5,063,035	0	0
Public sector entities	0	0	0
Multilateral development banks	5,436,225	0	0
Institutions	1,867,695	373,539	29,883
Corporates	17,935,161	17,854,826	1,428,386
Retail	51,227,444	38,420,583	3,073,647
Exposures in default	550,644	576,940	46,155
Covered bonds	863,964	86,396	6,912
Equity	11,279,962	11,685,633	934,851
Other items	4,727,506	4,818,485	385,479
Total	115,596,302	73,816,402	5,905,313

Internally assessed capital requirement

As of 31 December, 2022, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 8.2bn and for Klarna Bank AB (publ) to SEK 9.7bn, 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 December, 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 December, 2022, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 25.9bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 25.9bn 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			
	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	14,865,057	15,902,917	9,386,230	16,721,116
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	13,521,731	14,555,333	7,941,126	15,504,576
Tier 1 capital	15,291,636	16,327,166	9,769,918	17,184,738
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	13,948,310	14,979,582	8,324,814	15,968,198
Total capital	15,547,772	16,580,035	9,971,367	17,373,685
Total capital as if IFRS 9 transitional arrangements had not been applied	14,204,446	15,232,451	8,526,263	16,157,145
Risk exposure amounts				
Total risk exposure amount	68,597,476	63,843,323	62,840,833	62,645,288
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	67,254,149	62,495,738	61,395,727	61,428,749
Capital ratios (as percentage of total risk exposure amount)				
CET1	21.7%	24.9%	14.9%	26.7%
CET1 as if IFRS 9 transitional arrangements had not been applied	20.1%	23.3%	12.9%	25.2%
Tier 1	22.3%	25.6%	15.5%	27.4%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	20.7%	24.0%	13.6%	26.0%
Total capital	22.7%	26.0%	15.9%	27.7%
Total capital as if IFRS 9 trans. Arrangements had not been applied	21.1%	24.4%	13.9%	26.3%
Leverage ratio				
Total Leverage ratio exposure amount	119,462,467	113,719,292	108,326,827	103,125,937
Leverage ratio	12.8%	14.4%	9.0%	16.7%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.8%	13.3%	7.9%	15.7%

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9		Klarna Bank AB (publ)			
SEkk	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital	12,612,549	11,920,844	14,379,188	16,592,515	
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	11,497,290	10,821,730	13,342,345	15,741,618	
Tier 1 capital	12,888,549	12,196,844	14,655,188	17,118,515	
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	11,773,290	11,097,730	13,618,345	16,267,618	
Total capital	13,191,092	12,498,660	14,956,411	17,419,593	
Total capital as if IFRS 9 transitional arrangements had not been applied	12,075,833	11,399,546	13,919,568	16,568,697	
Risk exposure amounts					
Total risk exposure amount	80,078,321	72,536,845	73,928,550	71,044,971	
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	78,963,062	71,437,730	72,891,707	70,194,075	
Capital ratios (as percentage of total risk exposure amount)					
CET1	15.8%	16.4%	19.5%	23.4%	
CET1 as if IFRS 9 transitional arrangements had not been applied	14.6%	15.1%	18.3%	22.4%	
Tier 1	16.1%	16.8%	19.8%	24.1%	
Tier 1 as if IFRS 9 transitional arrangements had not been applied	14.9%	15.5%	18.7%	23.2%	
Total capital	16.5%	17.2%	20.2%	24.5%	
Total capital as if IFRS 9 transitional arrangements had not been applied	15.3%	16.0%	19.1%	23.6%	
Leverage ratio					
Total Leverage ratio exposure amount	127,311,502	120,044,010	115,756,211	107,010,910	
Leverage ratio	10.1%	10.2%	12.7%	16.0%	
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	9.3%	9.3%	11.9%	15.3%	

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	41,552,501	30,048,465	26(1), 27, 28, 29
of which: Share capital	3,005	68,774	26(3)
of which: Share premium	41,549,496	29,979,691	26(3)
Retained earnings	-8,665,648	-8,473,387	26(1)(c)
Accumulated other comprehensive income (and other reserves)	1,154,742	934,590	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	34,041,595	22,509,668	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-1,801	-1,262	34, 105
Intangible assets (net of related tax liability)	-9,947,337	-1,876,617	36(1)(b), 37
Losses for the current financial year	-10,292,437	-8,876,025	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	1,343,326	1,115,259	473a(8)
Deferred tax assets rely on future profitability	-19,815	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-258,474	-258,474	36(1)(k)(ii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-19,176,538	-9,897,119	
Common Equity Tier 1 (CET1) capital	14,865,057	12,612,549	
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	170,207		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	426,579	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	426,579	276,000	
Tier 1 capital (T1 = CET1 + AT1)	15,291,636	12,888,549	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts		302,543	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	256,136		87, 88
Tier 2 (T2) capital before regulatory adjustment	256,136	302,543	

Tier 2 (T2) capital: regulatory adjustments**Total regulatory adjustments to Tier 2 (T2) capital****Tier 2 (T2) capital instruments****Own funds (TC = T1 + T2)****Total risk exposure amount**

256,136	302,543
15,547,772	13,191,092
68,597,476	80,078,321

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

Common Equity Tier 1	21.7%	15.8%	92(2)(a)
Tier 1	22.3%	16.1%	92(2)(b)
Total capital	22.7%	16.5%	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)	7.5%	7.5%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	0.5%	0.5%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	17.2%	11.3%	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)	270,448	270,448	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)	375,122	60,656	36(1)(c), 38, 48