

Publication of information concerning capital adequacy and liquidity management

31 August 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 as amended by Regulation (EU) 2019/876, 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, 2023.

Summary of capital adequacy information	Klarna Holding AB (publ) Consolidated 30 Jun 2023	Klarna Bank AB (publ) 30 Jun 2023
SEKk		
Own funds		
Common Equity Tier 1 capital	12,494,171	13,183,977
Additional Tier 1 capital	427,609	276,000
Tier 2 capital	505,132	0
Own funds	13,426,912	13,459,977
Risk exposure amount		
Credit risk according to standardized approach	61,050,145	73,947,986
Securitisation positions	1,202,812	1,202,812
Market risk according to standardized approach	1,524,343	1,717,718
Operational risk according to alternative standardized approach	3,742,449	3,980,829
Credit valuation adjustment	104,251	104,251
Total risk exposure amount	67,624,000	80,953,596
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	18.5%	16.3%
Tier 1 capital ratio	19.1%	16.6%
Total capital ratio	19.9%	16.6%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	8.0%	8.0%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.0%	1.0%
CET1 available after meeting the total SREP own funds requirements (%)	13.5%	11.4%
Leverage ratio		
Tier 1 capital	12,921,780	13,459,977
Total Leverage ratio exposure amount	116,236,998	126,965,311
Leverage ratio	11.1%	10.6%

**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	13,200,320	0	0
Regional governments or local authorities	3,445,781	0	0
Public sector entities	1,248,944	0	0
Multilateral development banks	2,623,454	0	0
International organisations	1,173,375	0	0
Institutions	4,380,925	876,185	70,095
Corporates	8,246,459	7,992,251	639,380
Retail	59,204,562	44,403,422	3,552,274
Exposures in default	525,527	559,204	44,736
Covered bonds	1,110,103	111,010	8,881
Equity	339,617	766,286	61,303
Other items	5,808,727	6,341,787	507,343
Total	101,307,794	61,050,145	4,884,012

**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	12,947,584	0	0
Regional governments or local authorities	3,445,781	0	0
Public sector entities	1,248,944	0	0
Multilateral development banks	2,623,454	0	0
International organisations	1,173,375	0	0
Institutions	1,973,415	394,683	31,575
Corporates	14,614,988	14,364,673	1,149,174
Retail	53,199,003	39,899,252	3,191,940
Exposures in default	533,736	641,019	51,282
Covered bonds	1,110,103	111,010	8,881
Equity	13,857,740	14,284,410	1,142,753
Other items	4,083,508	4,252,939	340,235
Total	110,811,631	73,947,986	5,915,840

Internally assessed capital requirement

As of 30 June, 2023, the internally assessed capital requirement for Klarna Holding AB (publ) Consolidated amounted to SEK 8.4bn and for Klarna Bank AB (publ) to SEK 10.1bn, 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 June, 2023, 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, 2023, Klarna Holding AB (publ) Consolidated liquidity reserve amounted to SEK 21.5bn and consisted of high-quality liquid assets. Note that Klarna Bank AB (publ) liquidity reserve also amounted to SEK 21.5bn and consisted of high-quality liquid assets.

IFRS 9 Transitional adjustments

From 01 January 2018 Klarna applies the transitional rules in line with Article 473(a) of the EU regulation no 575/2013 to phase in IFRS 9's capital impact. As of 01 January 2023, the capital adequacy calculations are modified to include a dynamic component only, as the static component is nil from 01 January 2023 onwards.

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 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	12,494,171	13,084,917	14,865,057	15,902,917
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	11,834,763	12,485,469	13,521,731	14,555,333
Tier 1 capital	12,921,780	13,492,500	15,291,636	16,327,166
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,262,372	12,893,052	13,948,310	14,979,582
Total capital	13,426,912	13,719,545	15,547,772	16,580,035
Total capital as if IFRS 9 transitional arrangements had not been applied	12,767,504	13,120,097	14,204,446	15,232,451
Risk exposure amounts				
Total risk exposure amount	67,624,000	57,853,017	68,597,476	63,843,323
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	66,964,593	57,253,568	67,254,149	62,495,738
Capital ratios (as percentage of total risk exposure amount)				
CET1	18.5%	22.6%	21.7%	24.9%
CET1 as if IFRS 9 transitional arrangements had not been applied	17.7%	21.8%	20.1%	23.3%
Tier 1	19.1%	23.3%	22.3%	25.6%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	18.3%	22.5%	20.7%	24.0%
Total capital	19.9%	23.7%	22.7%	26.0%
Total capital as if IFRS 9 trans. Arrangements had not been applied	19.1%	22.9%	21.1%	24.4%
Leverage ratio				
Total Leverage ratio exposure amount	116,236,998	114,258,382	119,462,467	113,719,292
Leverage ratio	11.1%	11.8%	12.8%	14.4%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	10.6%	11.3%	11.8%	13.3%

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 2023	31 Mar 2023	31 Dec 2022
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital		13,183,977	12,934,161	12,612,549	11,920,844
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied		12,634,161	12,425,719	11,497,290	10,821,730
Tier 1 capital		13,459,977	13,210,161	12,888,549	12,196,844
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		12,910,161	12,701,719	11,773,290	11,097,730
Total capital		13,459,977	13,513,456	13,191,092	12,498,660
Total capital as if IFRS 9 transitional arrangements had not been applied		12,910,161	13,005,013	12,075,833	11,399,546
Risk exposure amounts					
Total risk exposure amount		80,953,596	71,212,769	80,078,321	72,536,845
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied		80,403,781	70,704,327	78,963,062	71,437,730
Capital ratios (as percentage of total risk exposure amount)					
CET1		16.3%	18.2%	15.8%	16.4%
CET1 as if IFRS 9 transitional arrangements had not been applied		15.7%	17.6%	14.6%	15.1%
Tier 1		16.6%	18.6%	16.1%	16.8%
Tier 1 as if IFRS 9 transitional arrangements had not been applied		16.1%	18.0%	14.9%	15.5%
Total capital		16.6%	19.0%	16.5%	17.2%
Total capital as if IFRS 9 transitional arrangements had not been applied		16.1%	18.4%	15.3%	16.0%
Leverage ratio					
Total Leverage ratio exposure amount		126,965,311	124,957,033	127,311,502	120,044,010
Leverage ratio		10.6%	10.6%	10.1%	10.2%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied		10.2%	10.2%	9.3%	9.3%

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) 2021/637 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	41,705,719	33,317,587	26(1), 27, 28, 29
of which: Share capital	3,014	74,881	26(3)
of which: Share premium	41,702,705	33,242,706	26(3)
Retained earnings	-18,559,166	-17,717,093	26(1)(c)
Accumulated other comprehensive income (and other reserves)	1,316,697	1,157,403	26(1)
Independently reviewed interim profits			26(2)
Common Equity Tier 1 capital before regulatory adjustments	24,463,250	16,757,897	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments	-1,664	-1,118	34, 105
Intangible assets (net of related tax liability)	-10,269,250	-1,829,369	36(1)(b), 37
Losses for the current financial year	-2,036,158	-1,990,617	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	659,408	549,816	473a(8)
Deferred tax assets rely on future profitability	-18,783	0	IAS 12.5, 36(1)(c)
Securitisation positions alternatively subject to a 1250% risk weight	-302,632	-302,632	36(1)(k)(ii)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-11,969,079	-3,573,920	
Common Equity Tier 1 (CET1) capital	12,494,171	13,183,977	
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	171,237		85, 86
Additional Tier 1 (AT1) capital before regulatory adjustments	427,609	276,000	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital instruments	427,609	276,000	
Tier 1 capital (T1 = CET1 + AT1)	12,921,780	13,459,977	
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts		0	62, 63
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third party	505,132		87, 88
Tier 2 (T2) capital before regulatory adjustment	505,132	0	

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

Tier 2 (T2) capital instruments	505,132	0	
Own funds (TC = T1 + T2)	13,426,912	13,459,977	
Total risk exposure amount	67,624,000	80,953,596	

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

Common Equity Tier 1	18.5%	16.3%	92(2)(a)
Tier 1	19.1%	16.6%	92(2)(b)
Total capital	19.9%	16.6%	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)	8.0%	8.0%	CRD 128, 129, 130, 131, 133
of which: capital conservation buffer requirement	2.5%	2.5%	
of which: countercyclical buffer requirement	1.0%	1.0%	
Common Equity Tier 1 available to meet buffer requirement, less minimum capital requirement.	13.5%	11.4%	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)	284,446	284,446	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)	355,380	112,957	36(1)(c), 38, 48