

Publication of information concerning capital adequacy and liquidity management

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 required capital and regulatory capital buffers.

The information is presented for Klarna Bank AB (publ) (556737-0431) and for the consolidated situation ("Group") as of June 30, 2018.

2018-06-30, SEKk	Group	Klarna Bank AB
Own funds		
Common Equity Tier 1 capital	2 318 078	3 235 716
Additional Tier 1 capital	182 064	250 000
Tier 2 capital	245 884	297 269
Total capital	2 746 026	3 782 985
Risk exposure amount		
Credit risk according to standardised method	12 787 910	13 558 098
Market risk according to standardised method	373 424	1 326 495
Operative risk according to standardised method	5 369 393	4 875 197
Total risk exposure amount	18 530 727	19 759 790
Capital requirement		
Total minimum capital requirement	1 482 458	1 580 784
Internally assessed required capital	106 305	106 305
Total capital requirement excl. regulatory capital buffers	1 588 763	1 687 089
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	12.5%	16.4%
Tier 1 capital ratio	13.5%	17.6%
Total capital ratio	14.8%	19.1%
Combined buffer requirement¹		
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.9%	0.9%
Common Equity Tier 1 capital available to meet buffers ²	8.0%	11.9%

Sources of funding

As of June 30, 2018 Klarna's business was funded by deposits from the public, debt securities in issue, operational liabilities, subordinated debt and borrowings from credit institutions.

Liquidity reserve

As of June 30, 2018 Klarna's liquidity reserve amounted to SEK 1.715 billion and consisted of high-quality liquid assets.

IFRS 9 Transitional adjustments

Klarna applies the transitional rules in accordance with article 473a of the European Union regulation no 575/2013 in order to decrease the effect on the capital when applying IFRS 9. This includes adjusting the capital adequacy calculations with a dynamic and a static amount. This means that the increase in credit losses at transition date, 1 January 2018, will be allocated over the coming five years and this will also apply to increases in provisioning in stage 1 and 2.

Excess subsidiary capital deduction

Tier 1 capital and Own funds were impacted by a re-interpretation of eligible capital instruments, following an opinion published by the European Banking Authority. The opinion clarified the application of the limitation rules on eligible capital instruments in the consolidated situation. This means Klarna Bank AB's capital instruments totalling SEK 547m as at 30 June 2018 can only be included in the capital base of Klarna Holding group with the share required to cover the minimum capital requirements of Klarna Bank AB and its subsidiaries. Hence for Klarna Holding group this supplementary capital has been reduced by SEK 119m. If this change had been applied as at 31 March 2018 then the deducted amount would have been SEK 140m.

¹ The group is currently not required to hold additional capital to meet demands for systemic risk buffer or other buffers.

² Common Equity Tier 1 capital available for use as buffer is defined as Klarna's Common Equity Tier 1 capital ratio, reduced by the Common Equity Tier 1 capital needed to meet regulatory capital requirement (4.5%).