

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, internal 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 September 30, 2018.

2018-09-30, SEKK	Group	Klarna Bank AB
Own funds		
Common Equity Tier 1 capital	2,329,507	3,167,557
Additional Tier 1 capital	198,096	250,000
Tier 2 capital	449,791	597,456
Total capital	2,977,394	4,015,013
Risk exposure amount		
Credit risk according to standardised method	13,485,956	14,281,925
Market risk according to standardised method	444,647	1,322,808
Operative risk according to standardised method	5,369,394	4,875,197
Total risk exposure amount	19,299,997	20,479,930
Capital requirement		
Total minimum capital requirement	1,544,000	1,638,394
Internally assessed required capital	106,305	106,305
Total capital requirement excl. regulatory capital buffers	1,650,305	1,744,699
Capital adequacy analysis		
Common Equity Tier 1 capital ratio	12.1%	15.5%
Tier 1 capital ratio	13.1%	16.7%
Total capital ratio	15.4%	19.6%
Combined buffer requirement ¹	3.4%	3.4%
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	7.6%	11.0%

Sources of funding

As of September 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 September 30, 2018 Klarna's liquidity reserve amounted to SEK 2.285 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.

Increase in Tier 2 Capital

During July an additional SEK 300m of subordinated capital was issued.

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%).