

## Publication of information concerning capital adequacy and liquidity management

2019-09-30

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 for the consolidated situation as of November 29 2019.

<b>Summary of capital adequacy information</b>		
SEKK	<b>Consolidated situation</b>	<b>Klarna Bank AB</b>
<b>Own funds</b>	2019-09-30	2019-09-30
Common Equity Tier 1 capital	7,665,982	4,078,857
Additional Tier 1 capital	491,580	250,000
Tier 2 capital	573,677	598,241
<b>Total capital</b>	<b>8,731,239</b>	<b>4,927,098</b>
<b>Risk exposure amount</b>		
Credit risk according to standardised method	20,567,455	22,226,990
Market risk according to standardised method	239,338	1,635,234
Operational risk according to standardised method	6,949,905	6,440,168
Credit valuation adjustment	599	599
<b>Total risk exposure amount</b>	<b>27,757,297</b>	<b>30,302,991</b>
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	27.6%	13.5%
Tier 1 capital ratio	29.4%	14.3%
Total capital ratio	31.5%	16.3%
Combined buffer requirement (incl. the requirements of 575/2013 Art. 92(1)(a))	8.1%	8.2%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.1%	1.2%
Common Equity Tier 1 capital available to meet buffers	19.5%	5.3%
<b>Leverage ratio</b>		
Tier 1 capital	8,157,562	4,328,857
Total leverage ratio exposure	33,553,450	33,997,279
Leverage ratio	24.3%	12.7%

**Capital requirements per exposure class according to the standardised approach**

SEKk

Exposure class	Exposure value	Consolidated situation	
		Risk weighted exposure amount	Capital requirement
Central governments or central banks	1,127,378	0	0
Regional governments or local authorities	2,018,114	0	0
Public sector entities	1,300,262	0	0
Institutions	2,153,491	430,698	34,456
Corporates	1,340,178	1,273,948	101,916
Retail	23,098,667	17,324,001	1,385,920
Exposures in default	454,432	517,728	41,418
Covered bonds	270,025	27,003	2,160
Equity	20,081	50,203	4,016
Other items	874,455	943,875	75,510
<b>Total</b>	<b>32,657,085</b>	<b>20,567,455</b>	<b>1,645,396</b>

Exposure class	Exposure value	Klarna Bank AB	
		Risk weighted exposure amount	Capital requirement
Central governments or central banks	1,035,681	0	0
Regional governments or local authorities	2,018,114	0	0
Public sector entities	1,300,262	0	0
Institutions	1,266,549	253,310	20,265
Corporates	2,961,051	2,912,535	233,003
Retail	22,379,874	16,784,906	1,342,792
Exposures in default	424,528	487,824	39,026
Covered bonds	270,025	27,003	2,160
Equity	1,190,901	1,221,023	97,682
Other items	491,183	540,390	43,231
<b>Total</b>	<b>33,338,169</b>	<b>22,226,990</b>	<b>1,778,159</b>

**Internally assessed capital requirement**

As of September 30, 2019 the internally assessed capital requirement for the consolidated situation amounted to SEK 3.4bn and for Klarna Bank to SEK 3.8bn, comprising the minimum capital requirement under Pillar I, the capital requirement for risks managed under Pillar II and the combined buffer requirement.

**Sources of funding**

As of September 30, 2019 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, 2019 Klarna's liquidity reserve amounted to SEK 4.0bn and consisted of high-quality liquid assets.

## IFRS 9 Transitional adjustments

From January 1, 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. This includes adjusting the capital adequacy calculations with a dynamic and a static amount over a five year period.

### Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9

SEKK

Available capital (amounts)	Consolidated situation			
	2019-09-30	2019-06-30	2019-03-31	2018-12-31
Common Equity Tier 1 (CET1) capital	7,665,982	3,386,342	2,319,835	2,452,244
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	7,381,004	3,293,140	2,232,544	2,354,095
Tier 1 capital	8,157,562	3,892,714	2,818,733	2,922,833
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	7,872,584	3,799,513	2,731,442	2,824,683
Total capital	8,731,239	4,490,839	3,376,462	3,424,327
Total capital as if IFRS 9 transitional arrangements had not been applied	8,446,260	4,397,638	3,289,171	3,326,177

### Risk-weighted assets (amounts)

Total risk-weighted assets	27,757,297	25,434,302	23,731,981	22,761,017
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	27,472,318	25,341,101	23,644,691	22,662,868

### Capital ratios

CET1 (as a percentage of risk exposure amount)	27.6%	13.3%	9.8%	10.8%
CET1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	26.9%	13.0%	9.4%	10.4%
Tier 1 (as a percentage of risk exposure amount)	29.4%	15.3%	11.9%	12.8%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	28.7%	15.0%	11.6%	12.5%
Total capital (as a percentage of risk exposure amount)	31.5%	17.7%	14.2%	15.0%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 trans. arrangements had not been applied	30.7%	17.4%	13.9%	14.7%

### Leverage ratio

Leverage ratio total exposure measure	33,553,450	29,016,069	26,531,313	26,601,364
Leverage ratio	24.3%	13.4%	10.6%	11.0%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	23.7%	13.1%	10.3%	10.6%

### Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9

SEKK

Available capital (amounts)	Klarna Bank AB			
	2019-09-30	2019-06-30	2019-03-31	2018-12-31
Common Equity Tier 1 (CET1) capital	4,078,857	3,227,171	3,263,263	3,327,255
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	3,899,717	3,132,405	3,166,962	3,219,957
Tier 1 capital	4,328,857	3,477,171	3,513,263	3,577,255
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	4,149,717	3,382,405	3,416,962	3,469,957
Total capital	4,927,098	4,075,296	4,111,109	4,174,815
Total capital as if IFRS 9 transitional arrangements had not been applied	4,747,958	3,980,530	4,014,809	4,067,517

### Risk-weighted assets (amounts)

Total risk-weighted assets	30,302,991	27,595,600	25,556,180	24,307,481
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	30,123,851	27,500,834	25,459,879	24,200,182

### Capital ratios

CET1 (as a percentage of risk exposure amount)	13.5%	11.7%	12.8%	13.7%
CET1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	12.9%	11.4%	12.4%	13.3%
Tier 1 (as a percentage of risk exposure amount)	14.3%	12.6%	13.7%	14.7%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	13.8%	12.3%	13.4%	14.3%
Total capital (as a percentage of risk exposure amount)	16.3%	14.8%	16.1%	17.2%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 trans. arrangements had not been applied	15.8%	14.5%	15.8%	16.8%

### Leverage ratio

Leverage ratio total exposure measure	33,997,279	29,376,345	26,528,082	26,977,302
Leverage ratio	12.7%	11.8%	13.2%	13.3%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	12.3%	11.5%	12.9%	12.9%

## 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	Regulation (EU) No 575/2013		
SEKK	Consolidated situation	Klarna Bank AB	Article Reference
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	8,644,046	3,857,892	26(1), 27, 28, 29
Of which: Share capital	2,258	52,752	26(3)
Of which: Share premium	8,641,788	3,805,140	26(3)
Retained earnings	899,148	267,445	26(1)(c)
Accumulated other comprehensive income (and other reserves)	273,690	485,641	26(1)
Independently reviewed interim profits not of any foreseeable charge or dividend	0	0	26(2)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>9,816,884</b>	<b>4,610,978</b>	
<b>Common Equity Tier 1: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-61	-61	34, 105
Intangible assets (net of related tax liability) (negative amount)	-2,041,469	-467,321	36(1)(b), 37
Losses for the current financial year (negative amount)	-394,351	-243,879	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	284,979	179,140	473a(8)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-2,150,902</b>	<b>-532,121</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>7,665,982</b>	<b>4,078,857</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
Capital instruments and the related share premium accounts	241,580	250,000	51, 52
Of which: classified as equity under applicable accounting standards	241,580	250,000	
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	250,000	0	85, 86
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>491,580</b>	<b>250,000</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>0</b>	<b>0</b>	
<b>Additional Tier 1 (AT1) capital</b>	<b>491,580</b>	<b>250,000</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>8,157,562</b>	<b>4,328,857</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts	0	598,241	62, 63
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	573,677	0	87, 88
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>573,677</b>	<b>598,241</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>0</b>	<b>0</b>	
<b>Tier 2 (T2) capital</b>	<b>573,677</b>	<b>598,241</b>	
<b>Total capital (TC = T1 + T2)</b>	<b>8,731,239</b>	<b>4,927,098</b>	
<b>Total risk-weighted assets</b>	<b>27,757,297</b>	<b>30,302,991</b>	
<b>Capital ratios and buffers</b>			
Common Equity Tier 1 (as a percentage of total risk exposure amount)	27.6%	13.5%	92(2)(a)
Tier 1 (as a percentage of total risk exposure amount)	29.4%	14.3%	92(2)(b)
Total capital (as a percentage of total risk exposure amount)	31.5%	16.3%	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 expressed as a percentage of total REA)	8.1%	8.2%	CRD 128, 129, 130, 131, 133
Of which: capital conservation buffer requirement	2.5%	2.5%	
Of which: countercyclical buffer requirement	1.1%	1.2%	
Common Equity Tier 1 available to meet buffers (as a percentage of REA)	19.5%	5.3%	CRD 128
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>			
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)	20,081	20,081	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)	46,285	32,808	36(1)(c), 38, 48