

## Publication of information concerning capital adequacy and liquidity management

2019-06-30

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, 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 August 29 2019.

<b>Summary of capital adequacy information</b>	<b>Consolidated situation</b>	<b>Klarna Bank AB</b>
SEKK	2019-06-30	2019-06-30
<b>Own funds</b>		
Common Equity Tier 1 capital	3,386,342	3,227,171
Additional Tier 1 capital	506,372	250,000
Tier 2 capital	598,125	598,125
<b>Total capital</b>	<b>4,490,839</b>	<b>4,075,296</b>
<b>Risk exposure amount</b>		
Credit risk according to standardised method	18,347,886	19,655,527
Market risk according to standardised method	136,108	1,499,501
Operational risk according to standardised method	6,949,905	6,440,168
Credit valuation adjustment	404	404
<b>Total risk exposure amount</b>	<b>25,434,302</b>	<b>27,595,600</b>
<b>Capital requirement</b>		
Total minimum capital requirement	2,034,744	2,207,648
Internally assessed required capital	418,085	399,533
<b>Total capital requirement excl. regulatory capital buffers</b>	<b>2,452,829</b>	<b>2,607,181</b>
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	13.3%	11.7%
Tier 1 capital ratio	15.3%	12.6%
Total capital ratio	17.7%	14.8%
Combined buffer requirement (incl. the requirements of 575/2013 Art. 92(1)(a))	7.9%	8.0%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.9%	1.0%
Common Equity Tier 1 capital available to meet buffers	5.4%	3.7%
<b>Leverage ratio</b>		
Tier 1 capital	3,892,714	3,477,171
Total leverage ratio exposure	29,016,069	29,376,345
Leverage ratio	13.4%	11.8%

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

SEKk

Exposure class	Exposure amount	Consolidated situation	
		Risk weighted exposure amount	Capital requirement
Central governments or central banks	1,735,162	0	0
Regional governments or local authorities	1,860,626	0	0
Institutions	1,059,284	211,857	16,949
Corporates	872,306	799,467	63,957
Retail	21,147,307	15,860,480	1,268,838
Exposures in default	635,754	673,602	53,888
Equity	20,081	50,203	4,016
Other items	684,322	752,277	60,182
<b>Total</b>	<b>28,014,842</b>	<b>18,347,886</b>	<b>1,467,831</b>

Exposure class	Exposure amount	Klarna Bank AB	
		Risk weighted exposure amount	Capital requirement
Central governments or central banks	1,682,536	0	0
Regional governments or local authorities	1,860,626	0	0
Institutions	497,673	99,535	7,963
Corporates	1,795,249	1,754,237	140,339
Retail	20,600,353	15,450,265	1,236,021
Exposures in default	605,839	643,687	51,495
Equity	1,142,346	1,172,468	93,797
Other items	486,136	535,335	42,827
<b>Total</b>	<b>28,670,758</b>	<b>19,655,527</b>	<b>1,572,442</b>

**Sources of funding**

As of June 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 June 30, 2019 Klarna's liquidity reserve amounted to SEK 2.5bn 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			
	2019-06-30	2019-03-31	2018-12-31	2018-09-30
Common Equity Tier 1 (CET1) capital	3,386,342	2,319,835	2,452,244	2,329,507
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	3,293,140	2,232,544	2,354,095	2,186,082
Tier 1 capital	3,892,714	2,818,733	2,922,833	2,527,603
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	3,799,513	2,731,442	2,824,683	2,384,178
Total capital	4,490,839	3,376,462	3,424,327	2,977,394
Total capital as if IFRS 9 transitional arrangements had not been applied	4,397,638	3,289,171	3,326,177	2,833,969
<b>Risk-weighted assets (amounts)</b>				
Total risk-weighted assets	25,434,302	23,731,981	22,761,017	19,299,997
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	25,341,101	23,644,691	22,662,868	19,156,572
<b>Capital ratios</b>				
CET1 (as a percentage of risk exposure amount)	13.3%	9.8%	10.8%	12.1%
CET1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	13.0%	9.4%	10.4%	11.4%
Tier 1 (as a percentage of risk exposure amount)	15.3%	11.9%	12.8%	13.1%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	15.0%	11.6%	12.5%	12.4%
Total capital (as a percentage of risk exposure amount)	17.7%	14.2%	15.0%	15.4%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 trans. arrangements had not been applied	17.4%	13.9%	14.7%	14.8%
<b>Leverage ratio</b>				
Leverage ratio total exposure measure	29,016,069	26,531,313	26,601,364	21,852,120
Leverage ratio	13.4%	10.6%	11.0%	11.6%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	13.1%	10.3%	10.6%	10.9%

### 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			
	2019-06-30	2019-03-31	2018-12-31	2018-09-30
Common Equity Tier 1 (CET1) capital	3,227,171	3,263,263	3,327,255	3,167,557
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	3,132,405	3,166,962	3,219,957	3,011,138
Tier 1 capital	3,477,171	3,513,263	3,577,255	3,417,557
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	3,382,405	3,416,962	3,469,957	3,261,138
Total capital	4,075,296	4,111,109	4,174,815	4,015,013
Total capital as if IFRS 9 transitional arrangements had not been applied	3,980,530	4,014,809	4,067,517	3,858,594
<b>Risk-weighted assets (amounts)</b>				
Total risk-weighted assets	27,595,600	25,556,180	24,307,481	20,479,930
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	27,500,834	25,459,879	24,200,182	20,323,511
<b>Capital ratios</b>				
CET1 (as a percentage of risk exposure amount)	11.7%	12.8%	13.7%	15.5%
CET1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	11.4%	12.4%	13.3%	14.8%
Tier 1 (as a percentage of risk exposure amount)	12.6%	13.7%	14.7%	16.7%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	12.3%	13.4%	14.3%	16.0%
Total capital (as a percentage of risk exposure amount)	14.8%	16.1%	17.2%	19.6%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 trans. arrangements had not been applied	14.5%	15.8%	16.8%	19.0%
<b>Leverage ratio</b>				
Leverage ratio total exposure measure	29,376,345	26,528,082	26,977,302	21,686,751
Leverage ratio	11.8%	13.2%	13.3%	15.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.5%	12.9%	12.9%	15.0%

## 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	4,232,911	2,857,892	26(1), 27, 28, 29
Of which: Share capital	2,051	52,752	EBA lista 26(3)
Of which: Share premium	4,230,860	2,805,140	EBA lista 26(3)
Retained earnings	908,039	283,428	26(1)(c)
Accumulated other comprehensive income (and other reserves)	248,305	472,901	26(1)
Independently reviewed interim profits not of any foreseeable charge or dividend	0		26(2)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>5,389,255</b>	<b>3,614,221</b>	
<b>Common Equity Tier 1: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-140	-140	34, 105
Intangible assets (net of related tax liability) (negative amount)	-2,023,053	-465,053	36(1)(b), 37
Losses for the current financial year (negative amount)	-72,921	-16,622	36(1)(a)
IFRS 9 transitional adjustments to CET1 Capital	93,202	94,766	473a(8)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-2,002,913</b>	<b>-387,050</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>3,386,342</b>	<b>3,227,171</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
Capital instruments and the related share premium accounts	256,372	250,000	51, 52
Of which: classified as equity under applicable accounting standards	256,372	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>506,372</b>	<b>250,000</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0	
<b>Additional Tier 1 (AT1) capital</b>	<b>506,372</b>	<b>250,000</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>3,892,714</b>	<b>3,477,171</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts	0	598,125	62, 63
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	598,125	0	87, 88
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>598,125</b>	<b>598,125</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
Total regulatory adjustments to Tier 2 (T2) capital	0	0	
<b>Tier 2 (T2) capital</b>	<b>598,125</b>	<b>598,125</b>	
<b>Total capital (TC = T1 + T2)</b>	<b>4,490,839</b>	<b>4,075,296</b>	
<b>Total risk-weighted assets</b>	<b>25,434,302</b>	<b>27,595,600</b>	
<b>Capital ratios and buffers</b>			
Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.3%	11.7%	92(2)(a)
Tier 1 (as a percentage of total risk exposure amount)	15.3%	12.6%	92(2)(b)
Total capital (as a percentage of total risk exposure amount)	17.7%	14.8%	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)	7.9%	8.0%	CRD 128, 129, 130, 131, 133
Of which: capital conservation buffer requirement	2.5%	2.5%	
Of which: countercyclical buffer requirement	0.9%	1.0%	
Common Equity Tier 1 available to meet buffers (as a percentage of REA)	5.4%	3.7%	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)	45,308	32,802	36(1)(c), 38, 48