

Interim Report

January - June 2022



Contents

Financial information	3
To our shareholders	4
Highlights of the period	7
Business overview	13
Group company financials	18
Notes with accounting principles	31



Financial information

January - June 2022

The information is presented for Klarna Bank AB (publ), if not otherwise stated.

Strong performance of the business over the year has delivered:

+21%¹

Gross merchandise volume -
YoY growth

USD 41bn³ (39bn)

Gross merchandise volume² -
SEK 396bn (328bn)

+18%¹

Total net operating income -
YoY growth

USD 782m³ (755m)

Total net operating income -
SEK 7,495m (6,345m)

¹ All growth figures are based on SEK results figures.

² Total monetary value of sold products and services through Klarna over a given period of time.

³ Klarna's results are reported in SEK. To arrive at USD values, the average exchange rates for the first half of 2021 and 2022 have been used; USD 1 equals approximately SEK 8.4 for the first six months of 2021 and SEK 9.6 for the first six months of 2022.

To our shareholders

To our shareholders



Klarna has been operating in a very different environment in the first half of 2022. We serve 450,000 retailers and 150m consumers, which means that we have a profound impact on the world. At the same time, we are highly influenced by it. When we set our business plans for 2022 in the autumn of last year, it was a very different world than the one we are in today. Since then, we have seen a tragic and unnecessary war in Ukraine unfold, a huge shift in investor sentiment, a steep increase in inflation, a highly volatile stock market and a likely recession. All of these have marked the beginning of a very tumultuous year.

We've had a few years now where growth has been really heavily prioritized by investors. Now, understandably, they want to see profitability. We've had to make some tough decisions, ensuring we have the right people, in the right place, focused on business priorities that will accelerate us back to profitability while supporting consumers and retailers through a more difficult economic period. We needed to take immediate and pre-emptive action, which I think was misunderstood at the time, but now sadly we have seen many other companies follow suit.

One of those decisions was to reduce the number of Klarnauts by 10%. That is never easy and not a decision taken lightly. Similarly we've said we will tighten our approach to credit losses - these are an investment in growth, and we will lend a little less sometimes, especially to new consumers, supporting them to make the right decisions for them and for Klarna in changing economic circumstances. You won't see the impact of this on our financials in this report yet - we have a very agile balance sheet, especially in comparison to traditional banks due to the short-term nature of our products, but even for Klarna it takes a little while for the impact of decisions to flow through.

While 2022 has brought challenges and sad moments, it hasn't stopped us from moving forward, always with the focus of saving consumers time, money and worry with regard to their finances, and supporting the growth of more retail partners than ever. In July we raised USD 800m in an oversubscribed funding round, that would give Klarna a Q222 CET 1 ratio of >25%. We did this in one of the toughest market environments of the last 50 years and we've expanded our investor base to include more long-term, respected investors including CPP Investments and Mubadala Investment Company.

Klarna is so much more than BNPL and when growth was the focus for investors and the money was there to make big investments, we focused on growth. This puts us in a strong position entering a downturn because we have already cemented our future by scaling across markets, products and channels. Klarna has entered 11 markets since the start of 2020, launching products simultaneously across 18 markets like the Klarna shopping app. We made investments in complementary technologies and platforms like Hero, Stocard, and most recently PriceRunner, which are now unfolding into products like virtual shopping and the digital loyalty card wallet in the Klarna app

for our 150m consumers. Our marketing services revenue is growing 200% YoY and we actually have more of the top 100 US retailers working with us on customer acquisition and elevating the shopping experience than we do for payments, which shows just how much retailers value our expertise in this area. Our savings accounts are increasingly popular, with deposits growing 86% YoY. And on top of that, we have the world's largest open banking network with 15,000 connected banks across 26 markets. We will now leverage the platform we have built in recent years to continue to support Klarna's consumers and retailers during more challenging economic conditions.



Our marketing services revenue is growing 200% YoY



We have a USD 1bn gross profit business on an annual basis in Europe



We now partner with 31 of the top 100 US retailers



We have put almost USD 100m back in consumers' pockets by the removal of unnecessary fees

The benefit we have already at Klarna is that we were profitable for its first 14 years of existence. It's only four years ago when we posted a 12% EBT margin. We have a USD 1bn gross profit business on an annual basis in Europe. And we have used the last few years to establish a massive business in the US with 30 million users, 31 of the top 100 US retailers, and volumes that have doubled compared to last year. So yes, now investors' minds are turning back to profitability, but fortunately that is something we know how to do.

Having led Klarna through the financial crash of 2007/8, one thing I know is that our business model is so much better in a tougher economic environment than the traditional credit card model. Credit card companies will hand consumers a USD 30,000 limit, and try to get consumers to spend, spend, spend, at the highest possible interest rate because that's how they make money. Our business is very different. The average outstanding balance is USD 100. It's only

outstanding for less than two months, and paid off in installments. So consumers pay what they owe over a period of time - that helps their cash flow - and no more. In an environment where interest rates are rising, as a consumer you don't want to be in the hands of credit card companies - your interests are not aligned with theirs. I firmly believe Klarna can help consumers better manage their finances and that is only more true when times are tough. The proof of this is that we have already put almost USD 100m back in consumers' pockets by the removal of unnecessary fees.

Finally, I want to thank our employees, our investors and our retail partners. Together we continue to build something amazing that makes the finances of people across the globe just a little bit easier, a little more transparent and a whole lot fairer.

Sebastian Siemiatkowski
CEO and Co-Founder of Klarna

Highlights of the period



Highlights of the period

All figures relate to H122 vs H121 unless otherwise stated

+24%

increase in revenue –
YoY growth

+18%

global purchase frequency as consumers
move more of their spend to Klarna

99%

of our users pay us back



- Revenue is outpacing Gross Merchandise Volume (GMV) growth, increasing 24% YoY to USD 950m/ SEK 9.1bn. Net operating income increased 18% to USD 782m/SEK 7,495m.
- GMV growth in the first half of 2022 continues to significantly outpace e-commerce, up 21% in H122 to USD 41bn/ SEK 396bn (H121: USD 39bn/SEK 328bn) vs e-commerce decline¹ of -4%.
- The US and UK were the main drivers of volume growth as we continue to significantly strengthen our position in these markets, with all markets showing gains.
- In Q222 GMV grew 22% to USD 21.3bn/ SEK 209bn (Q221 USD 20bn/ SEK 171bn) vs an e-commerce contraction² of -6%.
- Retailer Income increased 24% YoY to USD 468m/ SEK 4.5bn as Klarna continued to grow its partnerships globally, with 450,000 retailers now choosing Klarna for payments, and increasingly marketing services, where revenue grew 200% YoY.
- Loyalty continues to grow as consumers choose Klarna over interest-laden credit cards, with global purchase frequency rising 18% to 9.5x.
- We continue to see strong repayment levels with 99% of Klarna users paying us back as well as over 70% of global Pay Later orders installments settled early. We've also put almost USD 100m back in the pockets of consumers by removing fees across the Nordics and DACH as we standardized our product offering to Pay in 30 days.

¹ [Salesforce Shopping Index](#)

² [Salesforce Shopping Index](#)

- We announced the closing of a new USD 800m financing at a USD 6.7bn post-money valuation in July 2022. The financing attracted strong support from both existing and new investors and will primarily be used to expand Klarna's leading market position in the United States.
- Credit losses are in line with expectations at 0.7% of GMV. Absolute credit losses increased due to Klarna's continued growth and expansion to new markets, with five new markets in 2021 and a further three in 2022. It is more challenging to underwrite a new customer compared to an existing, returning one. However, we continue to see progress in reducing credit loss rates among

new users through continuous improvements in our underwriting. In the US, the Q222 cohort's credit losses are down 29% vs Q221. These improvements mean US GMV is now growing twice as fast as credit losses. In the UK, credit losses from new users are down 34% YoY, with GMV growth at 70% YoY significantly outpacing the growth in overall credit losses. UK credit loss rates continue to decline to 0.4% of GMV, a historical low, demonstrating how the UK market has matured in line with our expected market trajectory. In DACH, including Germany, our largest market by revenue and volume, credit losses remain under 0.3% of GMV and credit loss rates are down 15% since H2 2021.

Building a platform for sustainable future growth

450,000

Global retail partners now choose Klarna as a growth partner

49/100

of the US National Retail Federation's top retailers partner with Klarna

Klarna is now seeing the benefits of the significant investments made in recent years as we took the opportunity to transform Klarna into a global player across channels and markets as part of our 'Klarna Everywhere' ambition. We continue to diversify our revenue base through new products and services, and create a global platform with 150m global consumers across 45 markets, now including Canada, Czech Republic and Greece, to support the growth of our 450,000 global retail partners.

- The US remains our fastest growing market with GMV doubling, up 109% YoY. Klarna has gone from an unknown Swedish payments company to becoming a market leader, with 30m users, 60% brand awareness, and 31 of the top 100 US retailers partnering with us on payments, more than Affirm and Afterpay. Performance continues to be strong as we grow our presence both in-store and online, and through new products such as the Klarna card, driving purchase frequency up 37% YoY.
- Our established European markets are making USD 1bn in gross profit, while our growth markets continue to progress with GMV increasing 105% YoY. The UK is performing particularly strongly, with GMV increasing 8x since 2018, growing 70% YoY in the first half of 2022. 18m UK consumers now use Klarna, up from just 4m in 2018 representing a 333% increase. The UK is an excellent example of Klarna's expected market trajectory, with UK gross margin now 54%.
- The Klarna app remains the fastest-growing channel by volume, with monthly active app users up 24% YoY to 23m, with app downloads increasing 47%³. The app is showing particularly strong adoption in the US with monthly active app users up 70% YoY and app downloads up 31% YoY⁴.
- 450,000 global retail partners now choose Klarna as a growth partner for an end-to-end shopping experience across channels. Decathlon, Nespresso, eBay Germany, Wolt, Intimissimi, URBN brands, The Body Shop, and SONY, as well as further 21 luxury brands launched with Klarna during the period, as well as existing partnerships expanding into new channels and markets across shopping, payments and marketing.

³ App Annie, 2022

⁴ App Annie, 2022

- 49 of the [US National Retail Federation's Top 100](#) retailers now partner with Klarna to fuel customer acquisition, conversion, and overall growth through our expanding marketing services, diversifying revenues beyond our successful payments offering. Revenues from our global marketing services grew by 200% YoY, with 300m⁵

clicks to retailers in H122 as Klarna seeks to grow its share of the USD 800bn retailer spend on marketing.⁶ We continue to build out these services to meet growing retailer demand with the [launch of virtual shopping](#), content creator partnerships, and AI-driven social advertising during the period.

Creating global products and events that save consumers time, money and worry

Klarna continues to prove its ability to launch products across multiple markets while progressing its mission to save consumers time, money and worry through the launch of two significant products during the first half of 2022. The launches also signify continued diversification of revenues.

In May, Klarna launched [Virtual Shopping](#) across 18 markets, bringing the best of the in-store experience online, allowing consumers to connect with experts virtually and shop with confidence. It is already live with 300+ retailers, including 43 luxury brands, improving Klarna's retail partner conversion rates 30%.

300+

retailers have added Virtual Shopping to their online stores to deliver a true omnichannel experience



⁵ Including PriceRunner H122

⁶ [Global Digital Advertising and Marketing Market Report 2021](#)

Our in-app loyalty card digital wallet launched in June, allowing consumers to access 8,000 loyalty reward programs worldwide for use online and in-store, removing the need for plastic cards. The addition to the app ensures consumers never miss a reward opportunity while driving sign-up and retention to retailers' loyalty schemes.

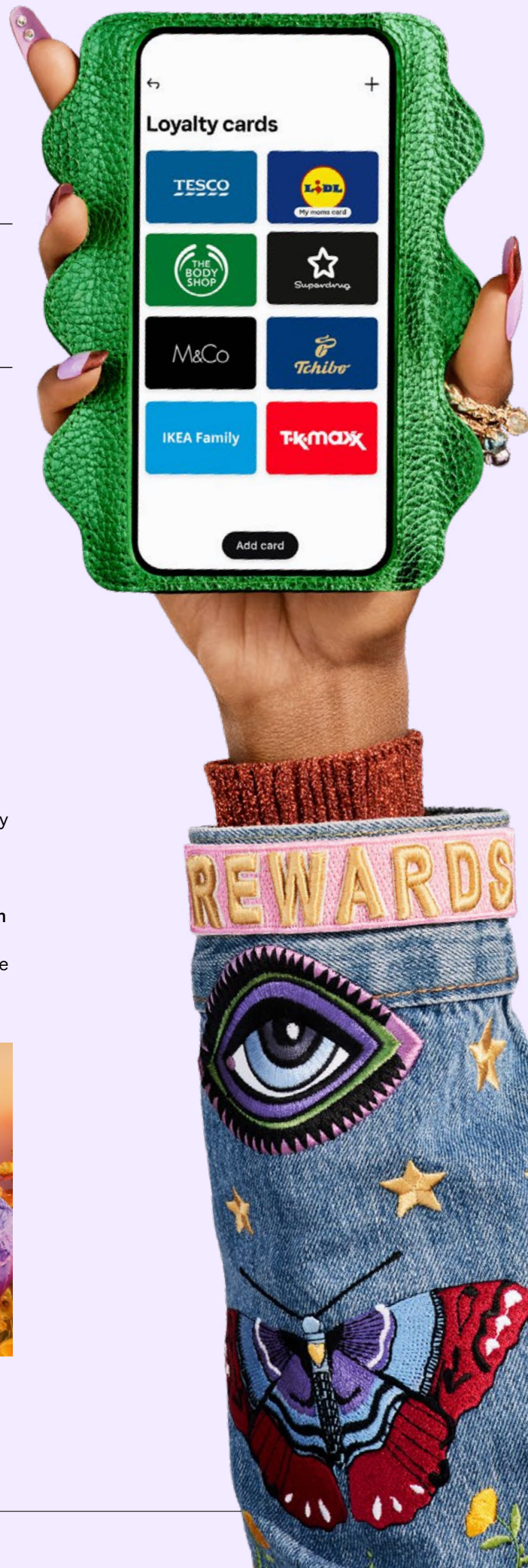
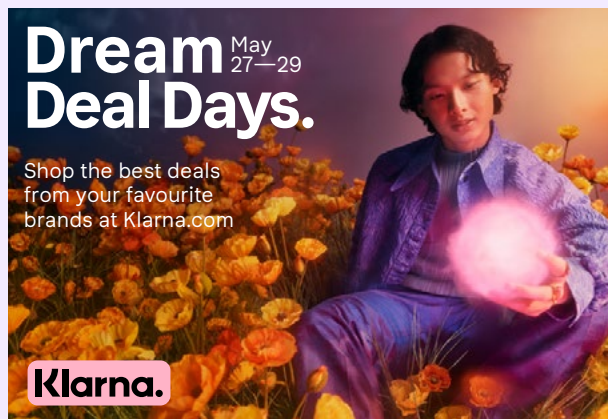
8,000

loyalty reward programs worldwide

The acquisition of **PriceRunner** also completed during the period, which will bring new features to the Klarna app globally in the form of rich product discovery, price comparisons and product reviews to help consumers save time and money. Klarna's 450,000 global retail partners will benefit from increased website traffic from high intent consumers and optimized marketing opportunities to further drive their growth. New products capitalizing on PriceRunner's technology will go live in H222.

Klarna also announced the launch of **Klarna Kosma** to harness the rapid growth of its world-leading Open Banking platform. Klarna Kosma has the largest reach of any open banking platform with access to 15,000 banks in 26 countries through a single interface, rapidly reducing the time for new fintech services to reach global scale.

Klarna's first dedicated global sale event, **Klarna Dream Deal Days**, took place in May with over 240 retail partners participating with over 600 promotions unique to Klarna, driving a 30% uplift⁷ in GMV over 3 days.

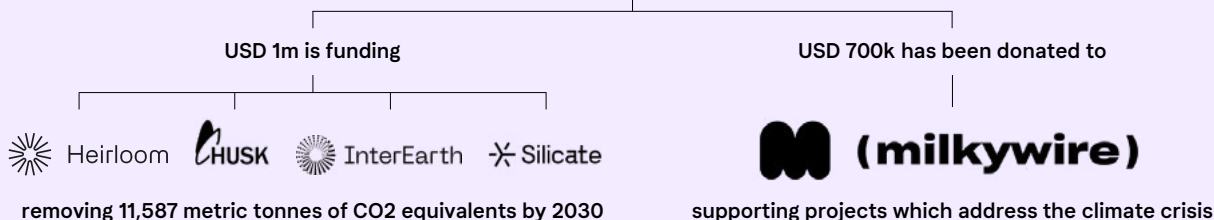


⁷ Compared to daily average GMV 1 Jan - 31 May 2022

Meaningful positive impact on climate change

USD 1.7m

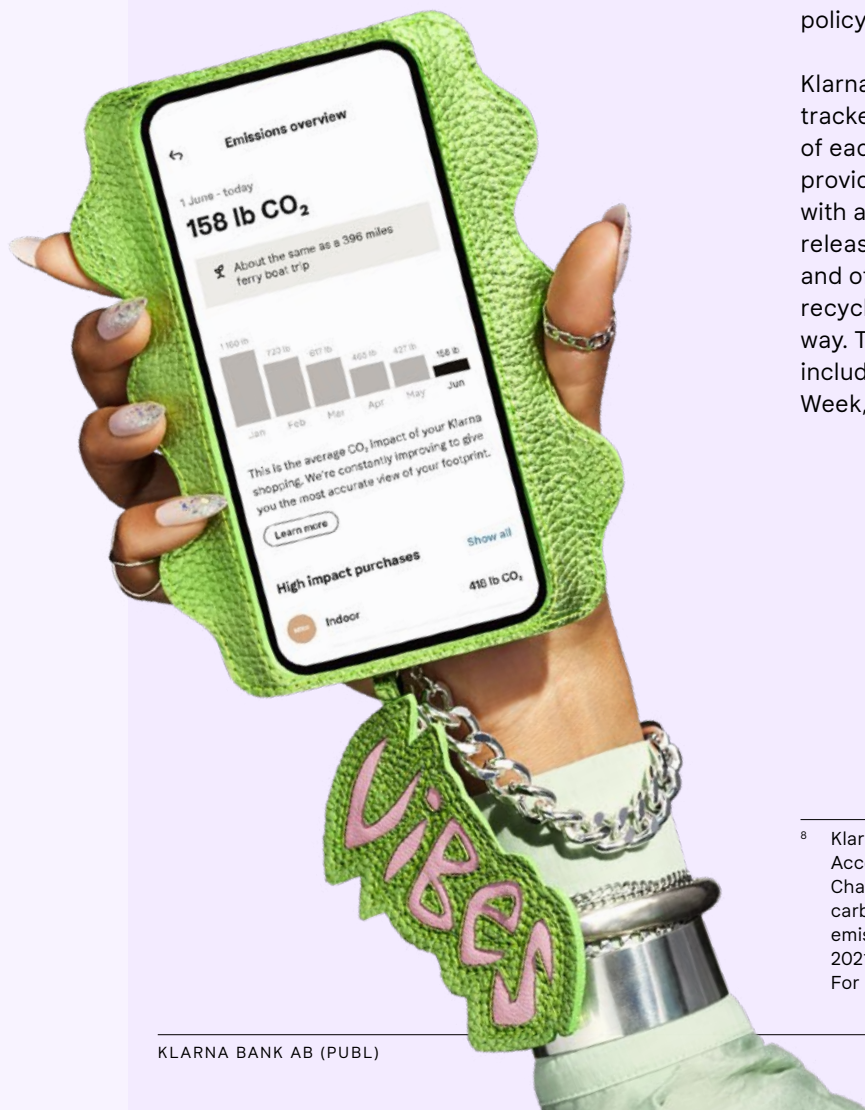
Generated by Klarna's internal carbon tax in 2021



Klarna continues to focus on having a meaningful impact on climate change through its internal carbon tax.⁸ For Klarna's 2021 GHG emissions, it generated USD 1.7m, USD 1m of which is funding a number of climate initiatives in 2022 designed to tackle the most pressing challenges around climate change, accelerating growth in the carbon removal market and creating as much impact per dollar as possible.

Four carbon removal projects focused on permanently removing CO2 emissions from the atmosphere are benefitting from Klarna's support: [Heirloom](#), [Husk](#), [InterEarth](#), and [Silicate](#). Together this will potentially remove 11,587 metric tonnes of CO2 equivalents by 2030. The remaining USD 700k has been donated to [Milkywire's](#) Climate Transformation Fund (CTF), which supports a wide range of projects addressing the climate crisis, including permanent carbon removal, reforestation, forest protection decarbonization, and policy change initiatives.

Klarna continues to evolve its in-app CO2 emissions tracker by showcasing the estimated carbon footprint of each purchase in the Klarna app. The tracker now provides consumers shopping for fashion products with a more detailed breakdown of the emissions released along every step of the product's lifecycle and offers educational tips to help consumers use and recycle the purchased items in a more sustainable way. The app also enables donations to the CTF, including donations matched by Klarna during Earth Week, amounting to over USD 220k since launch.



⁸ Klarna follows the guidelines from the GHG Protocol Corporate Accounting and Reporting Standard, and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The internal carbon tax is set at USD 100/tonne for all scope 1, 2 and travel emissions (remaining scope 3 emissions set at USD 10/tonne). In 2021, Klarna's internal tax on carbon amounted to USD 1.7 million. For more information see Klarna's 2021 [ESG Report](#).

Business overview



Business Overview

The CEO of Klarna Bank AB (publ) hereby submits the report for the period January 1 – June 30, 2022. This report presents the figures for Klarna Bank AB (publ) and its subsidiaries. The report has been prepared in thousands of Swedish kronor (SEK) unless otherwise stated.

Information about the business

Klarna Bank AB (publ) is an authorized bank and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen).

Klarna was founded in 2005 in Sweden and has been a fully licensed bank since 2017, with Klarna products in 24 markets and consumers in 45 markets through Stocard, a digital wallet company Klarna acquired in 2021.

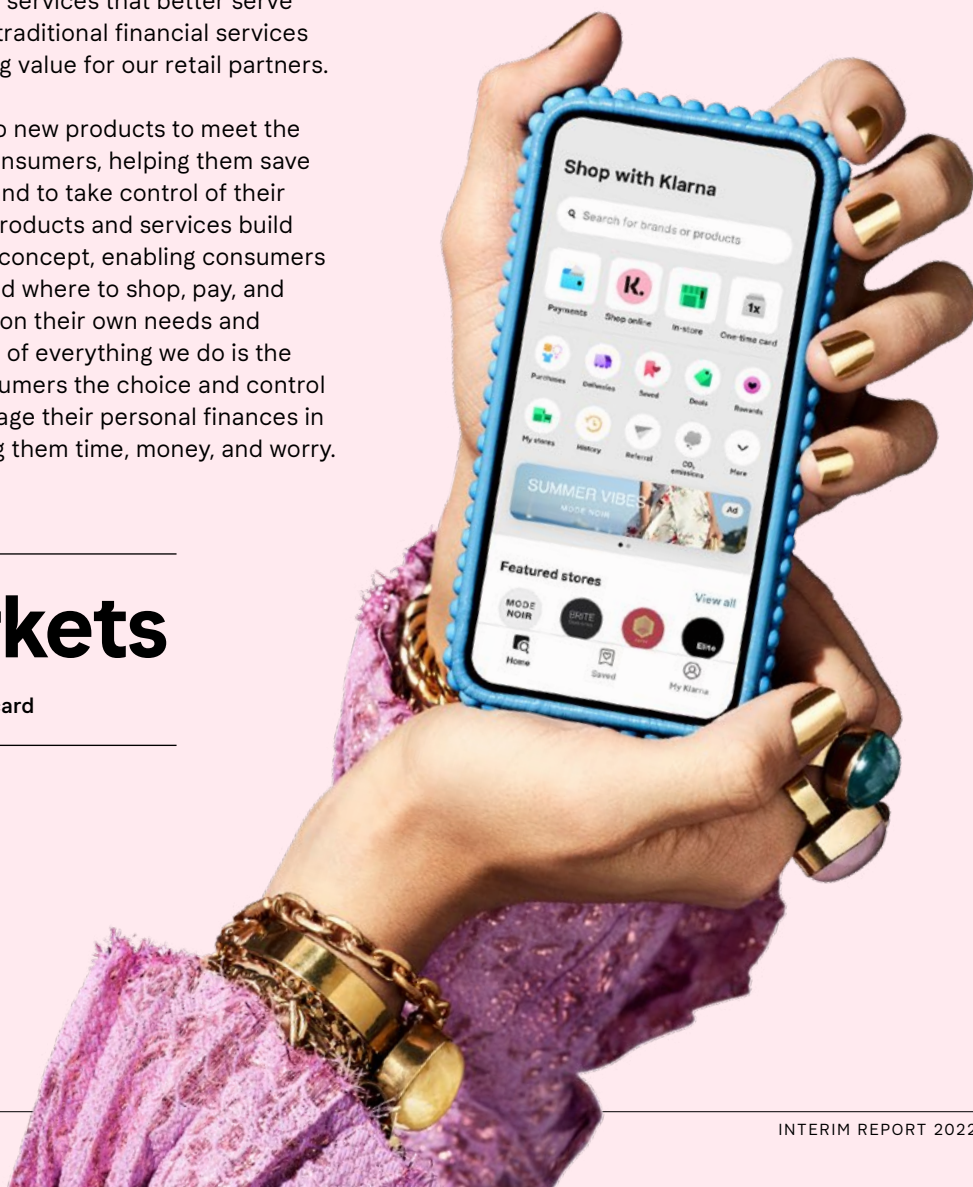
Klarna is a global leader in the generational shift away from credit cards, creating innovative banking, payments, and shopping services that better serve consumers' needs than traditional financial services companies while creating value for our retail partners.

We continuously develop new products to meet the changing demands of consumers, helping them save time, money and worry and to take control of their finances. Together our products and services build the 'Klarna Everywhere' concept, enabling consumers to choose how, when, and where to shop, pay, and bank with Klarna, based on their own needs and preferences. At the core of everything we do is the focus on giving our consumers the choice and control of how to shop and manage their personal finances in a sustainable way, saving them time, money, and worry.

45 markets

through Stocard

Our success to date is a result of the high degree of trust we have built with consumers, retailers, and partners in all markets. This trust is critical in the financial sector, and maintaining it requires that we operate with the highest ethical standards and strive to do what is right every day. Such standards are necessary across all parts of the business - from the handling of sensitive personal data to a robust corporate governance framework and ensuring all employees are treated with respect in a secure working environment.



Business results

21%

Gross merchandise volume - YoY growth

The first half of 2022 saw continued strong GMV growth across all markets. Klarna continued to expand its global footprint through entry into new markets in Canada, Czech Republic and Greece. The investments we have made in new and improved products and services to support retailer growth and create an elevated shopping experience for consumers have driven demand as consumers look for smarter ways to manage their money as they shop, pay and bank. As a result, Gross merchandise volume increased 21% to SEK 396bn (H121: SEK 328bn) compared to the same period last year, and Total net operating income grew 18% YoY to SEK 7,495m (H121: SEK 6,345m). Commission income increased by 23% year on year to SEK 6,342m (H121: SEK 5,156m), as we expand relationships globally.

While we are still seeing strong growth across the business, in view of developments in the broader macroeconomic environment it is now time to consolidate and capitalize on the strong foundations we have established. We have revisited our 2022 plans and will implement a number of prudent and pre-emptive measures to meet these evolving challenges. We are sharpening our focus on core value drivers in the business to further accelerate growth in key markets in the US and Europe where we see significant upside based on our current market position.

18%

Total net operating income - YoY growth

Interest income grew by 15% year on year to SEK 2,169m (H121: SEK 1,881m), this was below total net operating income growth as consumer demand for our interest-free, shorter-duration payment products outpaced other payment alternatives. Interest expenses are low in comparison to operating expenses and Total net operating income, at SEK 461m (H121: SEK 381m) over the period.

Deposits from the public increased by 86% year on year to SEK 67,033m (H121: SEK 35,983m), driven by Klarna's successful fixed-term savings accounts in Germany, Sweden and the Netherlands. Consumer adoption of Klarna's interest-free Pay Later products across markets has led to an increase in Loans to the public of 41% YoY to SEK 69,044m (H121: SEK 49,057m).

Total operating expenses before credit losses increased to SEK 10,810m (H121: SEK 6,258m) as Klarna continued to invest in growth with an increase in fees in line with volume growth and the launch of the Klarna card in the US and UK. In addition, the operating result for the period was impacted by SEK 582m of one off costs.



Klarna has launched 11 new markets since the start of 2020. Underwriting new consumers is always more challenging than underwriting existing consumers, and as a result, absolute credit losses are higher. Net credit losses amounted to SEK 2,853m for the period, with credit losses as a % of GMV remaining under 1% at 0.7%. We continue to see substantial progress on credit losses in the US, with credit loss rates down 30% YoY.

The average duration of Klarna's credit portfolio is ~40 days. This remains an extremely short duration, reflecting the nature of Klarna's products and average Pay later balances, compared to Klarna's liabilities. The CET1 ratio for Klarna Bank AB is 19.5%.

Operating result for the period was SEK -6,168m (H121: -SEK 1,761m) and Net result SEK -6,214m, (H121: SEK -1,408m), driven by continued investment in our business including the integration of new acquisitions including PriceRunner, an increase in employee costs and increased credit losses as a result of continued market expansion and the growth in new consumers using Klarna.



credit losses as % of GMV

Interaction with regulators

Below is a summary of the notable interactions with Klarna's regulators.

In January, Klarna submitted a response to the UK Government's consultation on proposals to regulate Buy Now Pay Later (BNPL) products. Following this period of consultation, the Government confirmed the scope of BNPL regulation in June. Klarna welcomes the proportionate approach the Government is taking to the regulation of BNPL which is framed by the Government's clear recognition that BNPL products are inherently lower risk than traditional interest-bearing credit products.

In March, Klarna responded to the US Consumer Finance Protection Bureau's (CFPB) BNPL inquiry alongside other major operators. We continue to work closely with the CFPB, and their report is expected to be published in H222.

On 28 March, the Swedish Data Protection Authority (SDPA) issued an administrative fine of SEK 7.5m to Klarna due to alleged breaches of the GDPR's principles of transparency and information obligations in a version of Klarna's privacy notice which was live for three months, March to June 2020. However, the SDPA has failed to accurately apply GDPR and the reasoning for its decision is unclear. If the SDPA had made an accurate assessment and correctly interpreted and applied the law, it would have found an administrative fine to be unwarranted. Klarna has appealed the decision.

On 22 April, the Swedish Financial Supervisory Authority (SFSA) initiated an inspection of Klarna Bank AB's general (business-wide) risk assessment, risk assessment of customers and KYC measures. The inspection is part of the SFSA's regular supervisory activities and Klarna is one of three companies being subject to a similar inspection.

In June, the UK Government announced that a review of the 1974 Consumer Credit Act (CCA) would commence by the end of 2022. Klarna welcomes this announcement and sees the review as an opportunity to make the regulation of credit in the UK more outcome-focused. Updated regulation will ensure the UK credit sector remains competitive and consumers are protected to a high standard.

On 4 July, the German Federal Financial Supervisory Authority (BaFin) initiated an audit of Sofort GmbH's business organization (Section 27 ZAG) as well as outsourcing of IT activities and IT processes (Section 26 ZAG) as part of their regular supervisory activities. The audit is now complete and we expect the final report in Q422.

Significant events during the period

On 4 April the acquisition of PriceRunner by Klarna Bank AB was completed.

On 25 March Klarna Bank AB issued SEK 276m of additional Tier 1 Capital Notes with a floating rate coupon of 3m Stibor+700 bps.

On 19 May Klarna Bank AB redeemed Floating Rate Subordinated Additional Tier 1 Capital Notes issued on 26 May 2017 with an aggregate amount of SEK 250m outstanding.

Risk Management

Through its business activities, Klarna is subject to a number of different risks, including credit risk, market risk, liquidity risk, business risk and operational risk.

The external regulations set forth requirements for good internal control, identification, and management of risks as well as responsibilities for internal control functions. The Board and management regularly determine appropriate policies and instructions for the governance and management of risks, including risk appetite and tolerance limits.

The basis for the risk management and internal control framework is the three lines of defense model. The first line of defense refers to all risk management activities carried out by line management and staff. All managers are fully responsible for the risks, and the management of these, within their respective areas of responsibility.

The functions Risk Control, Compliance, and Engineering Assurance, in the second line of defense, control risk. More specifically, Risk Control establishes risk frameworks and provides independent advice, analysis and oversight, as well as conducts risk reporting and training for management and staff. Compliance makes sure Klarna adheres to external rules and regulations and reports on regulatory risks. Engineering Assurance is responsible for frameworks, oversight, and reporting on Information and Communications Technology (ICT) and security risk management.

The third line of defense refers to the Internal Audit function which performs independent periodic reviews of the governance structure and the system of internal controls. The Board has appointed Deloitte as internal auditor.

Klarna's personal data protection officer is responsible for ensuring that all personal details are handled in accordance with the General Data Protection Regulation (GDPR).

Group company financials



Five Year Summary, Group

Amounts in SEkk	Jan - Jun 2022	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2019	Jan - Jun 2018
Income statement					
Total net operating income	7,494,532	6,345,464	4,517,860	3,314,081	2,504,271
Operating result	-6,168,248	-1,761,475	-689,954	-77,762	111,647
Net result for the period	-6,214,412	-1,407,943	-551,758	-83,528	71,018
Balance sheet					
Loans to credit institutions	4,999,934	2,512,144	1,717,226	1,774,862	2,269,144
Loans to the public	69,043,453	49,057,182	32,975,358	22,638,909	15,234,766
All other assets	37,454,292	24,443,461	14,008,541	6,039,079	4,017,576
Total assets	111,497,679	76,012,787	48,701,125	30,452,850	21,521,486
Liabilities to credit institutions	4,627,982	1,828,187	2,540,836	466,264	341,704
Deposits from the public	67,032,604	35,982,810	23,686,973	15,217,700	10,555,645
All other liabilities	26,510,614	20,220,814	16,738,045	10,658,935	6,465,993
Total equity	13,326,479	17,980,976	5,735,271	4,109,951	4,158,144
Total liabilities and equity	111,497,679	76,012,787	48,701,125	30,452,850	21,521,486
Key ratios and figures¹					
Return on equity	-61.0%	-22.8%	-34.6%	-0.7%	8.7%
Return on assets	-12.4%	-3.6%	-3.5%	-0.2%	1.1%
Debt/equity ratio	4.3	4.3	7.0	6.1	3.9
Equity/assets ratio	15.5%	23.7%	11.8%	13.5%	19.3%
Own funds (Total capital) ²	9,971,368	20,657,133	8,019,930	4,490,839	2,746,026
Capital requirement ²	5,027,267	4,152,752	2,515,203	2,034,744	1,482,458
Total capital ratio ²	15.9%	39.8%	25.5%	17.7%	14.8%
Average number of full-time equivalents	6,051	4,122	3,020	2,112	1,626

¹ See "Definitions and Abbreviations" for definitions of how the ratios are calculated.

² Figures refer to Klarna Holding AB (publ) group. In accordance with the capital adequacy regulations, the consolidated situation consists of Klarna Holding AB (publ) (Klarna Bank AB (publ)'s parent company) and its subsidiaries. All subsidiaries are fully consolidated in the Group.

Five Year Summary, Parent Company

Amounts in SEkk	Jan - Jun 2022	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2019	Jan - Jun 2018
Income statement					
Total net operating income	5,529,118	5,142,246	3,634,337	2,966,186	1,978,219
Operating result	-5,357,424	-1,499,122	-820,513	-35,536	-48,793
Net result for the period	-5,364,660	-1,249,116	-640,167	-16,622	-38,108
Balance sheet					
Loans to credit institutions	1,574,987	1,253,292	889,729	1,232,913	1,645,456
Loans to the public	71,950,547	49,781,353	32,888,522	22,432,301	15,162,789
All other assets	35,869,546	24,212,990	13,441,219	5,613,827	3,556,748
Total assets	109,395,080	75,247,635	47,219,470	29,279,041	20,364,993
Liabilities to credit institutions	4,627,982	1,828,187	2,540,835	466,264	341,704
Deposits from the public	66,784,573	35,812,932	23,595,917	15,184,645	10,537,011
All other liabilities	23,308,108	19,654,306	15,612,867	9,900,117	5,905,530
Total equity	14,674,417	17,952,210	5,469,851	3,728,015	3,580,748
Total liabilities and equity	109,395,080	75,247,635	47,219,470	29,279,041	20,364,993
Key ratios and figures¹					
Return on equity	-57.8%	-17.5%	-36.7%	3.2%	0.2%
Return on assets	-11.0%	-2.9%	-3.6%	0.7%	-0.2%
Debt/equity ratio	4.7	4.2	7.2	6.3	4.1
Equity/assets ratio	13.4%	23.9%	11.6%	13.1%	18.2%
Own funds (Total capital)	14,956,411	18,138,163	5,770,992	4,075,296	3,782,985
Capital requirement	5,914,284	4,354,146	2,717,761	2,207,648	1,580,784
Total capital ratio	20.2%	33.3%	17.0%	14.8%	19.1%
Average number of full-time equivalents	4,433	3,367	2,564	1,439	1,038

¹ See "Definitions and Abbreviations" for definitions of how the ratios are calculated.

Income Statement, Group

Amounts in SEKk	Note	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Interest income	4	2,168,757	1,880,874	4,040,280
Interest expenses	5	-460,732	-380,904	-821,909
Net interest income		1,708,025	1,499,970	3,218,371
Commission income	6	6,341,747	5,155,810	11,253,925
Commission expenses		-284,243	-341,276	-709,768
Net result from financial transactions		-881,138	-181,787	-670,730
Other operating income		610,141	212,747	662,691
Total net operating income		7,494,532	6,345,464	13,754,489
General administrative expenses		-10,210,011	-5,980,318	-15,032,878
Depreciation, amortization and impairment of intangible and tangible assets		-599,799	-277,825	-654,990
Total operating expenses before credit losses		-10,809,810	-6,258,143	-15,687,868
Operating result before credit losses, net		-3,315,278	87,321	-1,933,379
Credit losses, net	7	-2,852,970	-1,848,796	-4,646,783
Operating result		-6,168,248	-1,761,475	-6,580,162
Income tax		-46,164	353,532	-512,341
Net result for the period		-6,214,412	-1,407,943	-7,092,503
Whereof attributable to:				
Shareholders of Klarna Bank AB (publ)		-6,228,744	-1,415,091	-7,106,976
Additional Tier 1 capital holders		14,332	7,148	14,473
Total		-6,214,412	-1,407,943	-7,092,503

Statement of Comprehensive Income, Group

Amounts in SEKk	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Net result for the period	-6,214,412	-1,407,943	-7,092,503
Items that may be reclassified subsequently to the income statement:			
Exchange differences, foreign operations	168,093	43,428	128,711
Taxes on exchange differences, foreign operations	-	1,695	-
Other comprehensive income for the period, net of tax	168,093	45,123	128,711
Total comprehensive income for the period	-6,046,319	-1,362,820	-6,963,792
Whereof attributable to:			
Shareholders of Klarna Bank AB (publ)	-6,060,651	-1,369,968	-6,978,265
Additional Tier 1 capital holders	14,332	7,148	14,473
Total	-6,046,319	-1,362,820	-6,963,792

Balance Sheet, Group

Amounts in SEKk	Note	30 Jun 2022	31 Dec 2021	30 Jun 2021
Assets				
Cash and balances with central banks		6,642,065	15,810,926	6,393,103
Treasury bills chargeable at central banks, etc.		11,942,107	9,744,295	8,873,640
Loans to credit institutions		4,999,934	4,990,233	2,512,144
Loans to the public	8	69,043,453	62,086,767	49,057,182
Bonds and other interest-bearing securities		1,130,970	1,132,964	1,304,010
Other shares and participations		323,358	792,259	969,029
Intangible assets		10,926,346	5,410,255	2,656,479
Tangible assets		1,744,634	1,512,605	1,348,327
Deferred tax assets		399,412	316,860	1,102,471
Other assets		3,317,097	2,367,069	1,330,442
Prepaid expenses and accrued income		1,028,303	960,256	465,960
Total assets		111,497,679	105,124,489	76,012,787
Liabilities				
Liabilities to credit institutions		4,627,982	712,580	1,828,187
Deposits from the public		67,032,604	59,670,325	35,982,810
Debt securities issued	9	5,875,573	9,122,819	5,439,727
Deferred tax liabilities		874,100	183,127	58,022
Other liabilities	10	16,685,783	13,953,739	12,520,906
Accrued expenses and prepaid income		2,661,742	2,669,347	1,763,794
Provisions		112,193	65,546	137,541
Subordinated liabilities		301,223	301,056	300,824
Total liabilities		98,171,200	86,678,539	58,031,811
Equity				
Share capital		67,794	65,329	58,369
Other capital contributed		27,172,396	26,301,043	20,299,929
Reserves		406,526	238,433	154,844
Additional Tier 1 instruments		276,000	250,000	250,000
Retained earnings		-8,381,825	-1,316,352	-1,374,223
Net result for the period		-6,214,412	-7,092,503	-1,407,943
Total equity		13,326,479	18,445,950	17,980,976
Total liabilities and equity		111,497,679	105,124,489	76,012,787

Statement of Changes in Equity, Group

Amounts in SEKk	Share capital	Other capital contributed	Reserves ²	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2022	65,329	26,301,043	238,433	250,000	-1,316,352	-7,092,503	18,445,950
Transfer of previous year's net result	-	-	-	-	-7,092,503	7,092,503	-
<i>Net result for the period</i>	-	-	-	-	-	-6,214,412	-6,214,412
<i>Other comprehensive income, net of tax</i>	-	-	168,093	-	-	-	168,093
Total comprehensive income for the period	-	-	168,093	-	-	-6,214,412	-6,046,319
New share issue	2,465	871,353	-	-	-	-	873,818
Restricted stock units	-	-	-	-	41,362	-	41,362
Additional Tier 1 instruments ¹	-	-	-	276,000	-14,332	-	261,668
Redeemed Additional Tier 1 instruments	-	-	-	-250,000	-	-	-250,000
Balance as at June 30, 2022	67,794	27,172,396	406,526	276,000	-8,381,825	-6,214,412	13,326,479

Amounts in SEKk	Share capital	Other capital contributed	Reserves ²	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2021	52,869	7,305,180	109,325	250,000	-17,602	-1,375,809	6,323,963
Reclassification	-	-	396	-	-160	-	236
Transfer of previous year's net result	-	-	-	-	-1,375,809	1,375,809	-
<i>Net result for the period</i>	-	-	-	-	-	-1,407,943	-1,407,943
<i>Other comprehensive income, net of tax</i>	-	-	45,123	-	-	-	45,123
Total comprehensive income for the period	-	-	45,123	-	-	-1,407,943	-1,362,820
New share issue	5,500	12,994,749	-	-	-	-	13,000,249
Restricted stock units	-	-	-	-	26,495	-	26,495
Additional Tier 1 instruments ¹	-	-	-	-	-7,148	-	-7,148
Balance as at June 30, 2021	58,369	20,299,929	154,844	250,000	-1,374,223	-1,407,943	17,980,976

¹ Amounts included under Additional Tier 1 instruments consist of issued instruments, while amounts included under Retained earnings consist of interest on and cost of issuance of these issued instruments.

² Reserves consist of exchange differences from foreign operations.

Amounts in SEKk	Share capital	Other capital contributed	Reserves ²	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2021	52,869	7,305,180	109,325	250,000	-17,602	-1,375,809	6,323,963
Reclassification	-	-	397	-	64	-	461
Transfer of previous year's net result	-	-	-	-	-1,375,809	1,375,809	-
<i>Net result for the year</i>	-	-	-	-	-	<i>-7,092,503</i>	<i>-7,092,503</i>
<i>Other comprehensive income, net of tax</i>	-	-	<i>128,711</i>	-	-	-	<i>128,711</i>
Total comprehensive income for the year	-	-	128,711	-	-	-7,092,503	-6,963,792
New share issue	12,460	18,995,863	-	-	-	-	19,008,323
Restricted stock units	-	-	-	-	85,781	-	85,781
Tax effect on Restricted stock units	-	-	-	-	5,687	-	5,687
Additional Tier 1 instruments ¹	-	-	-	-	-14,473	-	-14,473
Balance as at December 31, 2021	65,329	26,301,043	238,433	250,000	-1,316,352	-7,092,503	18,445,950

¹ Amounts included under Additional Tier 1 instruments consist of issued instruments, while amounts included under Retained earnings consist of interest on and cost of issuance of these issued instruments.

² Reserves consist of exchange differences from foreign operations.

Equity is in its entirety attributable to the shareholders of Klarna Bank AB (publ) and its Additional Tier 1 capital holders.

Cash Flow Statement, Group

Amounts in SEKk	Note	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Operating activities				
Operating result		-6,168,248	-1,761,475	-6,580,162
Taxes paid		-216,121	-34,526	-192,976
<i>Adjustments for items in operating activities</i>				
Depreciation, amortization and impairment		599,799	277,825	654,990
Provisions excluding credit losses		4,593	2,260	4,139
Provision for credit losses		91,497	667,924	1,327,275
Share-based payments		123,324	26,495	205,943
Financial items including unrealized exchange rate effects		598,887	168,559	601,303
<i>Changes in the assets and liabilities of operating activities</i>				
Change in loans to the public		-6,040,580	-8,016,552	-21,049,734
Change in liabilities to credit institutions		3,628,291	-586,710	-1,706,512
Change in deposits from the public		7,169,079	5,148,133	28,812,298
Change in other assets and liabilities		-2,154,222	-6,637,142	-8,964,371
Cash flow from operating activities¹		-2,363,701	-10,745,209	-6,887,807
Investing activities				
Investments in intangible assets		-376,060	-323,061	-642,711
Investments in tangible assets		-97,998	-69,238	-245,196
Sales of fixed assets		-	8	-
Investments in business combinations	16	-3,574,344	-	-2,723,552
Investments in other shares and participations		-	-1,088,050	-1,320,485
Cash flow from investing activities		-4,048,402	-1,480,341	-4,931,944
Financing activities				
New share issue		-	13,000,249	19,007,184
Issued Additional Tier 1 instruments		276,000	-	-
Redeemed Additional Tier 1 instruments		-250,000	-	-
Debt securities, net	9	-3,286,510	1,236,145	4,911,523
Subordinated liabilities, net		-	-300,791	-300,584
Payment of principal portion of lease contracts		-155,417	-127,325	-253,155
Cash flow from financing activities		-3,415,927	13,808,278	23,364,968
Cash flow for the period		-9,828,030	1,582,728	11,545,217
Cash and cash equivalents at the beginning of the year		18,701,580	6,914,466	6,914,466
Cash flow for the period		-9,828,030	1,582,728	11,545,217
Exchange rate diff. in cash and cash equivalents		475,927	64,528	241,897
Cash and cash equivalents at the end of the period		9,349,477	8,561,722	18,701,580
Cash and cash equivalents include the following items				
Cash and balances with central banks		6,642,065	6,393,103	15,810,926
Loans to credit institutions ²		2,707,412	2,168,619	2,890,654
Cash and cash equivalents		9,349,477	8,561,722	18,701,580

¹ Cash flow from operating activities includes interest payments received and interest expenses paid.

² Adjusted for non-cash items.

Income Statement, Parent Company

Amounts in SEKk	Note	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Interest income	4	2,281,547	1,926,909	4,149,896
Interest expenses	5	-459,665	-402,235	-845,186
Net interest income		1,821,882	1,524,674	3,304,710
Group contribution		-	-	125,037
Commission income	6	4,219,507	3,891,994	8,134,882
Commission expenses		-1,083,863	-917,130	-1,984,731
Net result from financial transactions		-653,336	-170,222	-648,736
Other operating income		1,224,928	812,930	1,721,974
Total net operating income		5,529,118	5,142,246	10,653,136
General administrative expenses		-8,013,628	-4,887,497	-11,269,132
Depreciation, amortization and impairment of intangible and tangible assets		-409,630	-282,177	-620,221
Other operating costs		-658,413	-334,413	-1,442,749
Total operating expenses before credit losses		-9,081,671	-5,504,087	-13,332,102
Operating result before credit losses, net		-3,552,553	-361,841	-2,678,966
Credit losses, net	7	-1,804,871	-1,137,281	-2,899,907
Operating result		-5,357,424	-1,499,122	-5,578,873
Appropriations		2,213	-	-
Income tax		-9,449	250,006	-467,622
Net result for the period		-5,364,660	-1,249,116	-6,046,495

Statement of Comprehensive Income, Parent Company

Amounts in SEKk	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Net result for the period	-5,364,660	-1,249,116	-6,046,495
Items that may be reclassified subsequently to the income statement:			
Exchange differences, foreign operations	-65,202	2,084	-4,328
Taxes on exchange differences, foreign operations	-	1,695	-
Other comprehensive income for the period, net of tax	-65,202	3,779	-4,328
Total comprehensive income for the period	-5,429,862	-1,245,337	-6,050,823

Balance Sheet, Parent Company

Amounts in SEkk	Note	30 Jun 2022	31 Dec 2021	30 Jun 2021
Assets				
Cash and balances with central banks		6,642,060	15,810,919	6,393,099
Treasury bills chargeable at central banks, etc.		11,942,107	9,744,295	8,873,640
Loans to credit institutions		1,574,987	1,965,041	1,253,292
Loans to the public	8	71,950,547	64,365,809	49,781,353
Bonds and other interest-bearing securities		1,130,970	1,132,964	1,304,010
Shares and participations in group companies		10,684,523	6,047,645	2,772,916
Other shares and participations		323,358	792,259	969,029
Intangible assets		1,579,051	1,491,792	1,367,493
Tangible assets		1,383,831	1,254,038	1,181,182
Deferred tax assets		44,762	43,641	728,195
Other assets		1,587,414	1,061,998	295,518
Prepaid expenses and accrued income		551,470	407,268	327,908
Total assets		109,395,080	104,117,669	75,247,635
Liabilities				
Liabilities to credit institutions		4,627,982	712,324	1,828,187
Deposits from the public		66,784,573	59,409,067	35,812,932
Debt securities issued	9	5,337,697	8,797,392	5,250,744
Deferred tax liabilities		59,488	64,694	42,248
Other liabilities	10	15,543,729	13,392,941	12,434,389
Accrued expenses and prepaid income		1,990,662	2,180,435	1,487,748
Provisions		75,309	65,125	136,140
Subordinated liabilities		301,223	301,056	300,824
Total liabilities		94,720,663	84,923,034	57,293,212
Untaxed reserves		-	2,213	2,213
Equity				
Share capital		67,794	65,329	58,369
Reserve for development costs		1,190,981	1,057,480	873,619
Share premium reserve		19,867,216	18,995,862	12,994,749
Other reserves		-73,245	-8,043	64
Additional Tier 1 instruments		276,000	250,000	250,000
Retained earnings		-1,289,669	4,878,289	5,024,525
Net result for the period		-5,364,660	-6,046,495	-1,249,116
Total equity		14,674,417	19,192,422	17,952,210
Total liabilities and equity		109,395,080	104,117,669	75,247,635

Statement of Changes in Equity, Parent Company

Amounts in SEKk	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2022	65,329	1,057,480	18,995,863	-8,043	250,000	4,878,288	-6,046,495	19,192,422
Transfer of previous year's net result	-	-	-	-	-	-6,046,495	6,046,495	-
<i>Net result for the period</i>	-	-	-	-	-	-	-5,364,660	-5,364,660
<i>Other comprehensive income, net of tax</i>	-	-	-	-65,202	-	-	-	-65,202
Total comprehensive income for the period	-	-	-	-65,202	-	-	-5,364,660	-5,429,862
New share issue	2,465	-	871,353	-	-	-	-	873,818
Reserve for development costs	-	133,501	-	-	-	-133,501	-	-
Restricted stock units	-	-	-	-	-	26,371	-	26,371
Additional Tier 1 instruments ¹	-	-	-	-	276,000	-14,332	-	261,668
Redeemed Additional Tier 1 instruments	-	-	-	-	-250,000	-	-	-250,000
Balance as at June 30, 2022	67,794	1,190,981	19,867,216	-73,245	276,000	-1,289,669	-5,364,660	14,674,417

Amounts in SEKk	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2021	52,869	650,264	-	-3,715	250,000	6,678,729	-1,173,534	6,454,613
Transfer of previous year's net result	-	-	-	-	-	-1,173,534	1,173,534	-
<i>Net result for the period</i>	-	-	-	-	-	-	-1,249,116	-1,249,116
<i>Other comprehensive income, net of tax</i>	-	-	-	3,779	-	-	-	3,779
Total comprehensive income for the period	-	-	-	3,779	-	-	-1,249,116	-1,245,337
New share issue	5,500	-	12,994,749	-	-	-	-	13,000,249
Reserve for development costs	-	223,355	-	-	-	-223,355	-	-
Merger result ²	-	-	-	-	-	-269,019	-	-269,019
Restricted stock units	-	-	-	-	-	18,853	-	18,853
Additional Tier 1 instruments ¹	-	-	-	-	-	-7,148	-	-7,148
Balance as at June 30, 2021	58,369	873,619	12,994,749	64	250,000	5,024,525	-1,249,116	17,952,210

¹ Amounts included under Additional Tier 1 instruments consist of issued instruments, while amounts included under Retained earnings consist of interest on and cost of issuance of these issued instruments.

² Merger result from the transfer of the wholly-owned subsidiary Billpay GmbH's business into Klarna Bank AB (publ) and its German branch.

Amounts in SEkk	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2021	52,869	650,264	-	-3,715	250,000	6,678,729	-1,173,534	6,454,613
Transfer of previous year's net result	-	-	-	-	-	-1,173,534	1,173,534	-
<i>Net result for the year</i>	-	-	-	-	-	-	-6,046,495	-6,046,495
<i>Other comprehensive income, net of tax</i>	-	-	-	-4,328	-	-	-	-4,328
Total comprehensive income for the year	-	-	-	-4,328	-	-	-6,046,495	-6,050,823
New share issue	12,460	-	18,995,863	-	-	-	-	19,008,323
Reserve for development costs	-	407,216	-	-	-	-407,216	-	-
Merger result ²	-	-	-	-	-	-269,019	-	-269,019
Restricted stock units	-	-	-	-	-	58,852	-	58,852
Tax effect on Restricted stock units	-	-	-	-	-	4,949	-	4,949
Additional Tier 1 instruments ¹	-	-	-	-	-	-14,473	-	-14,473
Balance as at December 31, 2021	65,329	1,057,480	18,995,863	-8,043	250,000	4,878,288	-6,046,495	19,192,422

¹ Amounts included under Additional Tier 1 instruments consist of issued instruments, while amounts included under Retained earnings consist of interest on and cost of issuance of these issued instruments.

² Merger result from the transfer of the wholly-owned subsidiary Billpay GmbH's business into Klarna Bank AB (publ) and its German branch.

Share capital: 201,767,083 shares (194,432,000¹), quota value 0.336 (0.336¹).

¹ Adjusted for the share split (1:1000) that occurred during 2022.

Cash Flow Statement, Parent Company

Amounts in SEKk	Note	Jan - Jun 2022	Jan - Jun 2021	Jan - Dec 2021
Operating activities				
Operating result		-5,357,424	-1,499,122	-5,578,873
Taxes paid		-63,900	-	-3,691
<i>Adjustments for items in operating activities</i>				
Depreciation, amortization and impairment		409,630	282,177	620,221
Provisions excluding credit losses		-	915	-
Provision for credit losses		92,268	420,346	859,943
Result from merger		-	-3,465	-3,464
Share-based payments		26,371	18,853	58,853
Financial items including unrealized exchange rate effects		505,287	157,728	577,229
<i>Changes in the assets and liabilities of operating activities</i>				
Change in loans to the public		-8,356,379	-7,822,101	-17,489,578
Change in liabilities to credit institutions		3,915,657	-557,820	-1,675,519
Change in deposits from the public		7,215,323	5,077,987	28,669,988
Change in other assets and liabilities		-597,053	-7,293,468	-12,896,396
Cash flow from operating activities¹		-2,210,220	-11,217,970	-6,861,287
Investing activities				
Investments in intangible assets		-358,127	-323,061	-660,031
Investments in tangible assets		-72,909	-67,286	-221,138
Sales of fixed assets		-	8	-
Investments in subsidiaries		-19,433	-243,573	-937,940
Investments in business combinations	16	-3,745,117	-	-2,803,935
Investments in other shares and participations		-	-1,088,049	-1,320,485
Cash flow from investing activities		-4,195,586	-1,721,961	-5,943,529
Financing activities				
New share issue		-	13,000,249	19,007,184
Issued Additional Tier 1 Instruments		276,000	-	-
Redeemed Additional Tier 1 Instruments		-250,000	-	-
Debt securities, net	9	-3,458,185	1,232,673	4,781,234
Subordinated liabilities, net		-	-300,791	-300,584
Payment of principal portion of lease contracts		-122,199	-106,561	-202,209
Cash flow from financing activities		-3,554,384	13,825,570	23,285,625
Cash flow for the period		-9,960,190	885,639	10,480,809
Cash and cash equivalents at the beginning of the year				
Cash flow for the period		-9,960,190	885,639	10,480,809
Cash and cash equivalents from merger		-	368,783	368,784
Exchange rate diff. in cash and cash equivalents		355,353	43,438	181,975
Cash and cash equivalents at the end of the period		7,462,863	7,333,992	17,067,700
Cash and cash equivalents include the following items				
Cash and balances with central banks		6,642,060	6,393,099	15,810,919
Loans to credit institutions ²		820,803	940,893	1,256,781
Cash and cash equivalents		7,462,863	7,333,992	17,067,700

¹ Cash flow from operating activities includes interest payments received and interest expenses paid.

² Adjusted for non-cash items.

Notes with accounting principles



Note 1 Corporate information

The Parent Company Klarna Bank AB (publ), Corp. ID 556737-0431, maintains its registered office in Stockholm at the address Sveavägen 46, 111 34 Stockholm, Sweden. The consolidated financial interim report per June 30, 2022 consists of the Parent Company (including branches) and its subsidiaries, which together make up the Group. The Group's business is described in the Business overview.

In this report, Parent company refers to Klarna Bank AB (publ) including its branches and Group refers to Klarna Bank AB (publ) including its branches and subsidiaries.

The Parent Company of Klarna Bank AB (publ) is Klarna Holding AB (publ), Corp. ID 556676-2356. Klarna Holding AB (publ) has its registered office in Stockholm at the address Sveavägen 46, 111 34 Stockholm, Sweden.

Note 2 Accounting and valuation principles

Basis for the preparation of the reports

Group

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The financial statements the Group have also been prepared in accordance with the applicable regulations in the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559), the Swedish Financial Supervisory Authority regulations (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

Parent Company

The financial statements for the Parent Company have been prepared in accordance with the applicable regulations in the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559), the Swedish Financial Supervisory Authority regulations (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The accounting principles and calculation methods applied in this report should be read in conjunction, and are consistent, with the Annual Report for 2021.

The financial statements are prepared on the basis that the Group will continue to operate as a going concern.

Fair value hedging of interest rate risk

During 2022, the Group elected to apply fair value hedge accounting. The hedges reduce the Group's exposure to interest rate risk arising from deposits from the public. The hedged risk is the change in the fair value of the hedged item due to changes in benchmark interest rates. The hedged item is fixed rate deposits from the public. The hedge instruments are derivatives used to swap interest rate exposures into variable rates. The hedge ratio is established by matching the notional of derivatives against the principal of the hedged item. The effect on the balance sheet is that deposits from the public designated in a hedge relationship will include a fair value adjustment of their interest rate risk.

Fair value hedge accounting does not change the recording of gains and losses on derivatives, but results in recognizing the fair value adjustment attributable to the hedged risk of the hedged assets or liabilities in net result from financial transactions. As a result, fair value movements in the hedging instrument and in the hedged items due to the hedged risk offset each other and reduce volatility in the income statement to the degree that the hedges are effective. Any residual mismatch between the hedge instrument and the hedged item is recognized as ineffectiveness. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the remaining term to maturity of the hedged item. If the hedged item is sold or repaid, the unamortized fair value adjustment is recognized immediately in net result from financial transactions.

Changes in IFRS standards, interpretations and Annual Improvement Projects

No significant new standards (IFRS) or interpretations, applicable to Klarna, have come into effect during the period

No changes in IFRS or IFRIC interpretations that have not yet come into effect are expected to have significant impact on the Group.

Note 3 Operating segments and income by geographical area

Klarna determine operating segments based on how our Chief Operating Decision Maker (CODM) manages the business, makes operating decisions around the allocation of resources, and evaluates Klarna's operating performance.

Klarna's CODM is the CEO, who reviews the operating results on a consolidated basis. Klarna operates as one operating segment and has one reportable segment.

The nature, amount, timing, and uncertainty of our income and cash flows and how they are affected by economic factors are depicted through primary geographical markets and type of income categories (retailer income and consumer income).

Income recorded within these categories are earned from similar services for which the nature of associated fees and the related income recognition models are substantially the same.

Group	Jan - Jun 2022	Jan - Jun 2021 ¹
Geographical breakdown		
- Germany	2,496,007	2,351,189
- Sweden	1,099,301	1,214,871
- United States	2,205,366	1,097,626
- Other countries ²	2,574,996	1,863,565
Total net operating income less net result from financial transactions⁵	8,375,670	6,527,251
Income category		
- Retailer income	4,486,737	3,614,899
- Consumer income	2,808,317	2,703,899
- Other income ³	1,080,616	208,453
Total net operating income less net result from financial transactions⁵	8,375,670	6,527,251
Non-current assets		
- Germany	3,469,168	1,869,933
- Sweden	7,631,846	2,000,479
- Other countries ⁴	1,569,967	134,394
Total non-current assets	12,670,981	4,004,806

¹ The presentation of comparatives for 2021 have been updated to reflect changes in internal financial reporting.

² Income included within "Other countries" is mainly attributable to; Austria, Belgium, Denmark, Finland, the Netherlands, Norway, Switzerland and the United Kingdom.

³ "Other income" includes marketing income and Klarna card interchange income.

⁴ Current assets included within "Other countries" is mainly attributable to; Austria, Belgium, Denmark, Finland, the Netherlands, Norway, Switzerland, the United Kingdom and the United States.

⁵ Net result from financial transactions" is excluded from the income analysis since it is not applicable to a specific geography or income category.

In accordance with the requirements of FFFS 2008:25 Klarna Bank AB (publ) also discloses income by geographical area.

Parent Company				
Jan - Jun 2022	Sweden	Germany	Other²	Total
Interest income	605,740	720,904	954,903	2,281,547
Commission income	655,831	1,493,250	2,070,426	4,219,507
Group contributions, dividends and appropriations	-	-	2,213	2,213
Other operating income	35,081	1,093,055	96,792	1,224,928
Total	1,296,652	3,307,209	3,124,334	7,728,195

Jan - Jun 2021¹	Sweden	Germany	Other²	Total
Interest income	718,526	531,215	677,168	1,926,909
Commission income	724,245	1,571,060	1,596,689	3,891,994
Group contributions, dividends and appropriations	-	-	-	-
Other operating income	15,478	754,598	42,854	812,930
Total	1,458,249	2,856,873	2,316,711	6,631,833

¹ The presentation of comparatives for 2021 have been updated to reflect changes in internal financial reporting.

² "Other" is mainly attributable to; Austria, Belgium, Denmark, Finland, the Netherlands, Norway, Switzerland, the United Kingdom and the United States.

Parent Company		
External customer revenue split by income categories	Jan - Jun 2022	Jan - Jun 2021¹
Retailer	3,193,409	2,702,165
Consumer	2,589,284	2,542,738
Total	5,782,693	5,244,903

¹ The presentation of comparatives for 2021 have been updated to reflect changes in internal financial reporting.

Note 4 Interest income

	Group		Parent Company	
	Jan - Jun 2022	Jan - Jun 2021	Jan - Jun 2022	Jan - Jun 2021
Loans to credit institutions	466	698	99	352
Loans to the public	2,110,847	1,853,493	2,109,985	1,852,972
Other interest income	57,444	26,683	171,463	73,585
Total	2,168,757	1,880,874	2,281,547	1,926,909

Interest income is calculated using the effective interest rate method.

Note 5 Interest expenses

	Group		Parent Company	
	Jan - Jun 2022	Jan - Jun 2021	Jan - Jun 2022	Jan - Jun 2021
Interest-bearing securities and chargeable treasury bills etc.	-98,175	-47,158	-98,175	-47,158
Liabilities to credit institutions	-40,963	-30,010	-40,604	-29,878
Deposits from the public	-252,832	-173,271	-252,832	-173,271
Debt securities issued	-36,444	-23,220	-36,444	-23,220
Subordinated liabilities	-5,404	-13,686	-5,404	-13,686
Group companies	-11,679	-78,488	-13,447	-101,108
Other interest expenses	-15,235	-15,071	-12,759	-13,914
Total	-460,732	-380,904	-459,665	-402,235

Interest expense is calculated using the effective interest rate method.

Note 6 Commission income

Group		
Commission income split by product category	Jan - Jun 2022	Jan - Jun 2021
Retailer	5,291,294	3,973,533
Consumer	1,003,405	1,156,438
Other	47,048	25,839
Total	6,341,747	5,155,810

Parent Company		
Commission income split by product category	Jan - Jun 2022	Jan - Jun 2021
Retailer	3,381,211	2,958,032
Consumer	785,232	912,357
Other	53,064	21,605
Total	4,219,507	3,891,994

Commission income arises from financial instruments measured at amortized cost.

Note 7 Credit losses, net

Loan losses divided by class	Group		Parent Company	
	Jan - Jun 2022	Jan - Jun 2021	Jan - Jun 2022	Jan - Jun 2021
Loans to credit institutions				
Increase in provisions	-3,208	-124	-684	-107
Reversal of previous provisions	776	850	776	850
Total	-2,432	726	92	743
Loans to the public				
Realized loan losses, net of recoveries ¹	-2,761,473	-1,180,873	-1,712,603	-716,935
Release in provisions to cover realized loan losses	2,239,887	1,013,050	1,338,190	577,419
Increase in provisions	-7,407,566	-5,198,086	-4,510,423	-3,965,846
Reversal of previous provisions	5,086,763	3,508,076	3,088,367	2,960,478
Total	-2,842,389	-1,857,833	-1,796,469	-1,144,884
Financial guarantees and commitments				
Increase in provisions	-27,687	-30,080	-27,360	-29,812
Reversal of previous provisions	19,538	38,391	18,866	36,672
Total	-8,149	8,311	-8,494	6,860
Total credit losses, net	-2,852,970	-1,848,796	-1,804,871	-1,137,281

¹ Provisions for prepaid expenses and accrued income is included in Realized loan losses, net of recoveries for the parent company and amounts to 63k (21k).

Note 8 Loans to the public

	Group		Parent Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Loans to the public ¹	73,086,522	65,695,900	75,012,226	67,107,257
Allowance for credit losses	-4,043,069	-3,609,133	-3,061,679	-2,741,448
Total	69,043,453	62,086,767	71,950,547	64,365,809

¹ Parent Company loans to the public include a loan measured at fair value through profit or loss in amounting to SEK 484,743k at 30 June 2022 (279,184k).

For the fair value amounts, see note 12.

Note 9 Debt securities issued

	Group		Parent Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Senior unsecured bonds	4,606,991	4,604,153	4,606,991	4,604,153
Commercial papers	730,706	4,193,239	730,706	4,193,239
Other bonds	537,876	325,427	-	-
Total	5,875,573	9,122,819	5,337,697	8,797,392

For the fair value amounts, see note 12.

Note 10 Other liabilities

	Group		Parent Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Accounts payable	243,096	183,502	201,810	118,817
Personnel related taxes	126,695	86,122	105,845	68,566
Liabilities to group companies	4,866,834	4,803,232	6,226,806	6,083,413
Current tax liabilities	54,621	86,416	27,199	65,253
Liabilities to retailers	6,279,519	5,279,051	5,748,495	4,991,720
Derivatives	965,080	631,026	965,080	631,026
Lease liabilities	1,279,531	1,084,282	982,747	868,415
Other liabilities	2,870,407	1,800,108	1,285,747	565,731
Total	16,685,783	13,953,739	15,543,729	13,392,941

Klarna Bank AB (publ) has received a line of credit from its parent company Klarna Holding AB (publ). The credit liability amounted to SEK 4,662,276k (4,652,192k) as of June 30, 2022 and is included in Liabilities to group companies. The line of credit is ranked pari passu with all other unsecured indebtedness.

For the fair value amounts, see note 12.

Note 11 Pledged assets and contingent liabilities

	Group		Parent Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Pledged assets				
<i>Assets pledged for own liabilities</i>				
Pledged loans to the public and credit institutions	2,370,977	2,766,734	2,370,977	2,766,734
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	3,876,430	-	3,876,430	-
<i>Other pledged assets</i>	33,526	28,048	-	-
Total	6,280,933	2,794,782	6,247,407	2,766,734
Contingent liabilities and commitments				
<i>Contingent liabilities</i>				
Guarantees	42,678	40,797	42,678	40,797
<i>Commitments</i>	28,565,999	23,587,065	43,470,258	35,051,135
Total	28,608,677	23,627,862	43,512,936	35,091,932

Treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities contain securities pledged as collateral in repurchase agreements. Associated liabilities amounted to SEK 3,876,679k (0k) as at June 30, 2022.

Commitments contain an undrawn part of consumer credit line amounting to SEK 20,603,130k (16,607,753k) and commitment to refund consumers in case of returns to a defaulted retailer amounting to SEK 7,962,869k (6,979,312k) as at June 30, 2022.

Note 12 Fair value of financial assets and liabilities

Group	30 Jun 2022			31 Dec 2021		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	6,642,065	6,642,065	-	15,810,926	15,810,926	-
Treasury bills chargeable at central banks, etc.	11,505,450	11,942,107	-436,657	9,714,217	9,744,295	-30,078
Loans to credit institutions	4,999,934	4,999,934	-	4,990,233	4,990,233	-
Loans to the public	69,043,453	69,043,453	-	62,086,767	62,086,767	-
Bonds and other interest-bearing securities	1,089,723	1,130,970	-41,247	1,129,680	1,132,964	-3,284
Other shares and participations	323,358	323,358	-	792,259	792,259	-
Other assets	198,048	198,048	-	193,958	193,958	-
Other assets (derivatives)	71,299	71,299	-	67,308	67,308	-
Prepaid expenses and accrued income	447,343	447,343	-	503,273	503,273	-
Total	94,320,673	94,798,577	-477,904	95,288,621	95,321,983	-33,362

Group	30 Jun 2022			31 Dec 2021		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	4,643,793	4,627,982	15,811	712,580	712,580	-
Deposits from the public	66,905,212	67,032,604	-127,392	59,915,527	59,670,325	245,202
Debt securities issued	5,778,419	5,875,573	-97,154	9,121,724	9,122,819	-1,095
Other liabilities	15,462,247	15,462,247	-	13,060,474	13,060,474	-
Other liabilities (derivatives)	965,080	965,080	-	631,026	631,026	-
Accrued expenses and prepaid income	2,610,339	2,610,339	-	2,615,320	2,615,320	-
Subordinated liabilities	298,575	301,223	-2,648	306,781	301,056	5,725
Total	96,663,665	96,875,048	-211,383	86,363,432	86,113,600	249,832

Parent Company	30 Jun 2022			31 Dec 2021		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	6,642,060	6,642,060	-	15,810,919	15,810,919	-
Treasury bills chargeable at central banks, etc.	11,505,450	11,942,107	-436,657	9,714,217	9,744,295	-30,078
Loans to credit institutions	1,574,987	1,574,987	-	1,965,041	1,965,041	-
Loans to the public	71,950,547	71,950,547	-	64,365,809	64,365,809	-
Bonds and other interest-bearing securities	1,089,723	1,130,970	-41,247	1,129,680	1,132,964	-3,284
Other shares and participations	323,358	323,358	-	792,259	792,259	-
Other assets	568,635	568,635	-	678,121	678,121	-
Other assets (derivatives)	71,299	71,299	-	67,308	67,308	-
Prepaid expenses and accrued income	176,975	176,975	-	201,047	201,047	-
Total	93,903,034	94,380,938	-477,904	94,724,401	94,757,763	-33,362

Parent Company	30 Jun 2022			31 Dec 2021		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	4,643,793	4,627,982	15,811	712,324	712,324	-
Deposits from the public	66,657,181	66,784,573	-127,392	59,654,269	59,409,067	245,202
Debt securities issued	5,240,543	5,337,697	-97,154	8,796,297	8,797,392	-1,095
Other liabilities	14,379,620	14,379,620	-	12,544,192	12,544,192	-
Other liabilities (derivatives)	965,080	965,080	-	631,026	631,026	-
Accrued expenses and prepaid income	1,971,665	1,971,665	-	2,149,831	2,149,831	-
Subordinated liabilities	298,575	301,223	-2,648	306,781	301,056	5,725
Total	94,156,457	94,367,840	-211,383	84,794,720	84,544,888	249,832

Treasury bills chargeable at central banks, etc., bonds and other interest-bearing securities and repurchase agreements within liabilities to credit institutions are valued in terms of the active market prices.

Carrying amount for loans to credit institutions and loans to the public are assumed to be approximations of fair value. Fair value on short-term (<1 year) loans is equivalent to their booked value since the effect of discounting is insignificant.

The calculation of fair value of deposits from the public is based on Level 2 input using observable market data. Deposits from the public are grouped into maturity buckets and thereafter the net present value is calculated based on the remaining maturity and the corresponding interest rate.

Fair value of issued debt securities and subordinated liabilities are determined using the quoted market price at the balance sheet date where available (in the case of level 1) or using observable inputs (in the case of level 2).

Note 13 Classification of financial assets and liabilities into measurement categories

Group	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
30 Jun 2022				
Assets				
Cash and balances with central banks	-	6,642,065	-	6,642,065
Treasury bills chargeable at central banks, etc.	-	11,942,107	-	11,942,107
Loans to credit institutions	-	4,999,934	-	4,999,934
Loans to the public	-	69,043,453	-	69,043,453
Bonds and other interest-bearing securities	-	1,130,970	-	1,130,970
Other shares and participations	323,358	-	-	323,358
Intangible assets	-	-	10,926,346	10,926,346
Tangible assets	-	-	1,744,634	1,744,634
Deferred tax assets	-	-	399,412	399,412
Other assets	71,299	198,048	3,047,750	3,317,097
Prepaid expenses and accrued income	-	447,343	580,960	1,028,303
Total	394,657	94,403,920	16,699,102	111,497,679

Group	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
30 Jun 2022				
Liabilities				
Liabilities to credit institutions	-	4,627,982	-	4,627,982
Deposits from the public	-	67,032,604	-	67,032,604
Debt securities issued	537,876	5,337,697	-	5,875,573
Deferred tax liabilities	-	-	874,100	874,100
Other liabilities	965,080	15,462,247	258,456	16,685,783
Accrued expenses and prepaid income	-	2,610,339	51,403	2,661,742
Provisions	-	-	112,194	112,194
Subordinated liabilities	-	301,223	-	301,223
Total	1,502,956	95,372,092	1,296,153	98,171,201

Group		Fair value through profit or loss	Amortized cost	Non-financial assets	Total
31 Dec 2021					
Assets					
Cash and balances with central banks	-	15,810,926	-	-	15,810,926
Treasury bills chargeable at central banks, etc.	-	9,744,295	-	-	9,744,295
Loans to credit institutions	-	4,990,233	-	-	4,990,233
Loans to the public	-	62,086,767	-	-	62,086,767
Bonds and other interest-bearing securities	-	1,132,964	-	-	1,132,964
Other shares and participations	792,259	-	-	-	792,259
Intangible assets	-	-	-	5,410,255	5,410,255
Tangible assets	-	-	-	1,512,605	1,512,605
Deferred tax assets	-	-	-	316,860	316,860
Other assets	67,308	193,958	-	2,105,803	2,367,069
Prepaid expenses and accrued income	-	503,273	-	456,983	960,256
Total		859,567	94,462,416	9,802,506	105,124,489

Group		Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
31 Dec 2021					
Liabilities					
Liabilities to credit institutions	-	712,580	-	-	712,580
Deposits from the public	-	59,670,325	-	-	59,670,325
Debt securities issued	325,427	8,797,392	-	-	9,122,819
Deferred tax liabilities	-	-	-	183,127	183,127
Other liabilities	631,026	13,060,474	-	262,239	13,953,739
Accrued expenses and prepaid income	-	2,615,320	-	54,027	2,669,347
Provisions	-	-	-	65,546	65,546
Subordinated liabilities	-	301,056	-	-	301,056
Total		956,453	85,157,147	564,939	86,678,539

Parent Company			Non-financial assets and shares and participations in group companies	Total
30 Jun 2022	Fair value through profit or loss	Amortized cost		
Assets				
Cash and balances with central banks	-	6,642,060	-	6,642,060
Treasury bills chargeable at central banks, etc.	-	11,942,107	-	11,942,107
Loans to credit institutions	-	1,574,987	-	1,574,987
Loans to the public	484,743	71,465,804	-	71,950,547
Bonds and other interest-bearing securities	-	1,130,970	-	1,130,970
Shares and participations in group companies	-	-	10,684,523	10,684,523
Other shares and participations	323,358	-	-	323,358
Intangible assets	-	-	1,579,051	1,579,051
Tangible assets	-	-	1,383,831	1,383,831
Deferred tax assets	-	-	44,762	44,762
Other assets	71,299	568,635	947,480	1,587,414
Prepaid expenses and accrued income	-	176,975	374,495	551,470
Total	879,400	93,501,538	15,014,142	109,395,080

Parent Company			Non-financial liabilities	Total
30 Jun 2022	Fair value through profit or loss	Amortized cost		
Liabilities				
Liabilities to credit institutions	-	4,627,982	-	4,627,982
Deposits from the public	-	66,784,573	-	66,784,573
Debt securities issued	-	5,337,697	-	5,337,697
Deferred tax liabilities	-	-	59,488	59,488
Other liabilities	965,080	14,379,620	199,029	15,543,729
Accrued expenses and prepaid income	-	1,971,665	18,997	1,990,662
Provisions	-	-	75,309	75,309
Subordinated liabilities	-	301,223	-	301,223
Total	965,080	93,402,760	352,823	94,720,663

Parent Company		Non-financial assets and shares and participations in group companies		
31 Dec 2021	Fair value through profit or loss	Amortized cost		Total
Assets				
Cash and balances with central banks	-	15,810,919	-	15,810,919
Treasury bills chargeable at central banks, etc.	-	9,744,295	-	9,744,295
Loans to credit institutions	-	1,965,041	-	1,965,041
Loans to the public	279,184	64,086,625	-	64,365,809
Bonds and other interest-bearing securities	-	1,132,964	-	1,132,964
Shares and participations in group companies	-	-	6,047,645	6,047,645
Other shares and participations	792,259	-	-	792,259
Intangible assets	-	-	1,491,792	1,491,792
Tangible assets	-	-	1,254,038	1,254,038
Deferred tax assets	-	-	43,641	43,641
Other assets	67,308	678,121	316,569	1,061,998
Prepaid expenses and accrued income	-	201,047	206,221	407,268
Total	1,138,751	93,619,012	9,359,906	104,117,669

Parent Company		Non-financial liabilities		
31 Dec 2021	Fair value through profit or loss	Amortized cost		Total
Liabilities				
Liabilities to credit institutions	-	712,324	-	712,324
Deposits from the public	-	59,409,067	-	59,409,067
Debt securities issued	-	8,797,392	-	8,797,392
Deferred tax liabilities	-	-	64,694	64,694
Other liabilities	631,026	12,544,192	217,723	13,392,941
Accrued expenses and prepaid income	-	2,149,831	30,604	2,180,435
Provisions	-	-	65,125	65,125
Subordinated liabilities	-	301,056	-	301,056
Total	631,026	83,913,862	378,146	84,923,034

Financial assets and liabilities – measurement

For financial assets and liabilities measured at fair value the Group uses different methods to determine the fair value. The methods are divided into three levels in accordance with IFRS 13.

Level 1

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets. This category includes investments in other shares and participations.

Level 2

Level 2 consists of assets and liabilities that do not have directly quoted market prices available from active, available markets. The fair values are calculated using valuation techniques based on market prices or rates prevailing at the balance sheet date.

Level 3

Level 3 includes estimated values based on assumptions and assessments. One or more significant inputs are not based on observable market information. Level 3 is used for items in other shares and participations and for certain items in debt securities issued and loans to the public.

The following table shows the financial assets and liabilities measured at fair value, divided into the three valuation levels. No transfers between levels have been made during the period.

Group				
30 Jun 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Other shares and participations	58,357	-	265,001	323,358
Other assets (derivatives)	-	71,299	-	71,299
Total	58,357	71,299	265,001	394,657
Financial liabilities				
Debt securities issued	-	-	537,876	537,876
Other liabilities (derivatives)	-	965,080	-	965,080
Total	-	965,080	537,876	1,502,956

Group				
31 Dec 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Other shares and participations	530,571	-	261,688	792,259
Other assets (derivatives)	-	67,308	-	67,308
Total	530,571	67,308	261,688	859,567
Financial liabilities				
Debt securities issued	-	-	325,427	325,427
Other liabilities (derivatives)	-	631,026	-	631,026
Total	-	631,026	325,427	956,453

Parent Company				
30 Jun 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	484,743	484,743
Other shares and participations	58,357	-	265,001	323,358
Other assets (derivatives)	-	71,299	-	71,299
Total	58,357	71,299	749,744	879,400
Financial liabilities				
Other liabilities (derivatives)	-	965,080	-	965,080
Total	-	965,080	-	965,080

Parent Company				
31 Dec 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	279,184	279,184
Other shares and participations	530,571	-	261,688	792,259
Other assets (derivatives)	-	67,308	-	67,308
Total	530,571	67,308	540,872	1,138,751
Financial liabilities				
Other liabilities (derivatives)	-	631,026	-	631,026
Total	-	631,026	-	631,026

Movements in Level 3

The following tables show a reconciliation of the opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value.

Group	Financial assets	Financial liabilities
	Other shares and participations	Debt securities issued ²
Balance as at January 1, 2022	261,688	325,427
Gain/loss in income statement ¹	-23,726	17,110
of which: unrealized gain/loss	-23,726	17,110
Issuances	-	168,524
Impact of foreign exchange movements	27,039	26,815
Balance as at June 30, 2022	265,001	537,876

Group	Financial assets	Financial liabilities
	Other shares and participations	Debt securities issued ²
Balance as at January 1, 2021	20,081	185,511
Gain/loss in income statement ¹	-20,081	3,564
of which: unrealized gain/loss	-20,081	3,564
Purchases	251,915	-
Issuances	-	133,853
Impact of foreign exchange movements	9,773	2,499
Balance as at December 31, 2021	261,688	325,427

¹ Fair value gains and losses recognized in the income statement are included in Net result from financial transactions.

² The value of debt securities issued has been established using valuation models.

Parent Company	Financial assets	
	Other shares and participations	Loans to the public ²
Balance as at January 1, 2022	261,688	279,184
Gain/loss in income statement ¹	-23,726	23,541
of which: unrealized gain/loss	-23,726	23,541
Issuances	-	155,511
Impact of foreign exchange movements	27,039	26,507
Balance as at June 30, 2022	265,001	484,743

Parent Company	Financial assets	
	Other shares and participations	Loans to the public ²
Balance as at January 1, 2021	20,081	139,225
Gain/loss in income statement ¹	-20,081	-1,770
of which: unrealized gain/loss	-20,081	-1,770
Purchases	251,915	-
Issuances	-	136,276
Impact of foreign exchange movements	9,773	5,453
Balance as at December 31, 2021	261,688	279,184

¹ Fair value gains and losses recognized in the income statement are included in Net result from financial transactions.

² The value of loans to the public has been established using valuation models.

The Group uses a range of unobservable inputs and valuation techniques such as the current interest rate, equity markets, expected future cash flows and options models to determine the fair value of level 3 financial instruments. Given the wide dispersion of values in the unobservable inputs used in valuation, the range is not disclosed. The impact of a 10% increase (decrease) in the valuation of Other shares and participations would increase (decrease) assets by SEK 26,500k. The impact of a 10% increase (decrease) in valuation inputs of Debt securities issued would increase (decrease) liabilities by SEK 9,562k (-9,365k). The impact of a 10% increase (decrease) in valuation inputs of Loans to the public would increase (decrease) assets by SEK 8,736k (-8,563k).

Note 14 Information on related parties

Group and Parent Company

The following are defined as related parties: all companies within the Klarna Holding AB (publ) Group, shareholders in Klarna Holding AB (publ) with significant influence, board members of Klarna Holding AB (publ) and Klarna Bank AB (publ), key management personnel, as well as close family members of and companies significantly influenced by such board members or key management personnel.

During the period, there have been normal business transactions between companies in the Group and agreed remuneration has been paid to the CEO, Board of directors and other management personnel.

Note 15 Capital adequacy and leverage ratio

Capital adequacy regulations

Capital adequacy refers to the ability of an institution's Own Funds to cover the risk it is exposed to. Within the EU the capital adequacy requirements are contained in the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR), both implemented in 2014. These regulations are based on the global capital adequacy standards Basel II and III, and define minimum requirements for total own funds in relation to risk-weighted exposure amounts (Pillar I), rules for the Internal Capital Adequacy Process and Internal Liquidity Adequacy Assessment Process "ICLAAP" (Pillar II) and rules for disclosures on risk, capital adequacy etc. (Pillar III).

The information about capital adequacy in this document is based on the Swedish Financial Supervisory Authority regulations (FFFS 2008:25 and FFFS 2014:12). Other disclosures required under Pillar III as well as the Capital adequacy reports are published on Klarna's homepage www.klarna.com

Common Equity Tier 1 capital

During 2022, Common Equity Tier 1 for the consolidated situation of Klarna Holding AB (publ) reduced by SEK -9,987m. A significant element of the reduction resulting from the closing of the Pricerunner acquisition during the period which increased deductions to Tier 1 capital related to intangible assets by SEK 4,561m.

Additional Tier 1 capital

Klarna Bank AB (publ) issued, in May 2017, SEK 250m in additional Tier 1 capital instruments. They have a floating coupon rate corresponding to STIBOR 3M plus 5.75% per annum. The securities were offered to a limited number of large Nordic investors. The securities were redeemed on the first call date on May 27, 2022.

In March 2022 Klarna Bank AB (publ) issued SEK 276m additional Tier 1 capital instruments. The instruments have a floating coupon rate corresponding to STIBOR 3M plus 7% per annum. The securities were offered to a limited number of large Nordic investors and the first call date is March 25, 2027.

Klarna Holding AB (publ) issued, in November 2018, EUR 25m in additional Tier 1 capital instruments. The instruments have a fixed coupon rate corresponding to 6.625% per annum. The securities were offered to a limited number of large Nordic investors and the first call date is November 15, 2023.

Subordinated liabilities

On July 5, 2018, Klarna Bank AB (publ) issued SEK 300m subordinated notes due 2028. The subordinated notes are eligible for inclusion as Tier 2 capital in accordance with current regulations. The notes have a floating coupon rate corresponding to STIBOR 3M plus 3.5% per annum. The notes were allocated to a limited number of large Nordic investors and the first call date is July 5, 2023.

Consolidated situation and methods for calculating minimum requirements

In accordance with capital adequacy regulations, the consolidated situation is made up of Klarna Holding AB (publ) (Klarna Bank AB (publ)'s parent company) and its subsidiaries. All subsidiaries are fully consolidated in the Group. Klarna Bank AB (publ) is a registered bank under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen). Klarna Bank AB (publ) uses the standardized method for calculating the minimum capital requirements for credit- as well as market risk and the alternative standardized approach for operational risk regarding Klarna Bank AB (publ) and its consolidated situation. The approval for calculating minimum capital requirement for operational risk using the alternative standardized approach was granted by the Finansinspektionen in December 2019. All regulated activities under the banking license are conducted in Klarna Bank AB (publ).

The Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process

The objective of the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (ICLAAP) is to ensure that Klarna clearly and correctly identifies, assesses and manages all risk to which it is exposed. The process considers the financial resources required to cover such risk, and to ensure that Klarna has access to sufficient capital and liquidity to support its business strategy over the coming planning horizon with regards to different market conditions. The main governing document for the ICLAAP is the ICLAAP policy. In this document, Klarna's board defines the responsibilities, processes and rules of the ICLAAP. The ICLAAP is performed at least yearly.

The internally assessed required capital is based on the minimum capital requirement, Pillar I, and additional capital required for other risks as determined as part of the ICLAAP, Pillar II, as well as the combined buffer requirements. The internally assessed required capital as of June 2022 amounts to SEK 8,840m (8,229m) for Klarna Bank AB (publ) and SEK 7,450m (7,225m) for the consolidated situation. Klarna thereby has sufficient capital to cover for required capital under Pillar I, including combined buffer requirements, and Pillar II.

Capital adequacy disclosure

Capital adequacy disclosure in accordance with the requirements in Commission Implementing Regulation (EU) No 1423/2013 can be found in Klarna's Capital adequacy report.

IFRS 9 transitional adjustments

From January 1, 2018, Klarna applied the transitional rules in accordance with article 473a of the European Union regulation no 575/2013 in order to phase in the effect on the capital when applying IFRS 9. The capital adequacy calculations are adjusted with a dynamic and two static amounts over a period spanning 5 years. From June 2020 the transitional rules also have taken into account the effects of Covid-19 on the IFRS9 model, which prolonged the period of application.

Excess subsidiary capital deduction

In accordance with Article 85 and 87 of CRR Klarna Bank AB (publ)'s Tier 1 and Tier 2 capital 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 (publ) and its subsidiaries. As of June 30, 2022, an amount of SEK 127m Additional Tier 1 capital and SEK 201m Tier 2 capital instruments issued by Klarna Bank AB (publ) were included in the Own funds of Klarna Holding AB (publ) consolidated.

Capital adequacy information	Consolidated situation		Klarna Bank AB (publ)	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Own funds, total risk exposure amount and total leverage ratio exposure				
Common Equity Tier 1 capital	9,386,230	19,372,837	14,379,188	19,170,496
Tier 1 capital	9,769,918	19,713,138	14,655,188	19,420,496
Own funds	9,971,367	19,855,494	14,956,411	19,721,552
Total risk exposure amount	62,840,833	61,835,794	73,928,550	69,646,678
Total leverage ratio exposure	108,326,827	105,225,277	115,756,211	108,773,965
Capital adequacy analysis				
Common Equity Tier 1 capital ratio	14.9%	31.3%	19.5%	27.5%
Tier 1 capital ratio	15.5%	31.9%	19.8%	27.9%
Total capital ratio	15.9%	32.1%	20.2%	28.3%
Leverage ratio	9.0%	18.7%	12.7%	17.9%
Combined buffer requirement incl, the requirements of 575/2013 Art, 92(1)(a)	7.1%	7.0%	7.1%	7.0%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	0.1%	0.0%	0.1%	0.0%
Common Equity Tier 1 capital available to meet buffers	10.4%	26.8%	15.0%	23.0%
Exposure amounts for credit risk according to the standardized approach				
Credit risk including counterparty credit risk	96,013,875	104,589,276	102,810,902	107,167,518
of which: central governments or central banks	7,294,636	17,110,128	6,982,067	16,886,070
of which: regional governments or local authorities	7,582,238	3,873,851	7,582,238	3,873,851
of which: multilateral development banks	4,147,909	4,877,439	4,147,909	4,877,439
of which: institutions	5,883,263	6,220,246	2,389,502	3,133,278
of which: corporates	7,477,778	6,369,295	15,216,372	14,043,739
of which: retail	56,177,963	58,554,424	49,997,350	52,173,353
of which: exposures in default	607,513	732,491	548,727	671,682
of which: covered bonds	1,130,970	1,132,964	1,130,970	1,132,964
of which: equity	323,358	792,259	11,007,881	6,839,904
of which: other items	5,388,247	4,926,179	3,807,886	3,535,238
Total exposure amount	96,013,875	104,589,276	102,810,902	107,167,518
Risk exposure amounts according to the standardized approach				
Credit risk including counterparty credit risk	58,002,970	58,919,066	68,941,140	65,398,361
of which: institutions	1,189,686	1,253,493	490,933	636,099
of which: corporates	7,237,348	6,295,879	14,986,056	13,984,696
of which: retail	42,133,473	43,915,818	37,498,014	39,130,015
of which: exposures in default	631,419	761,934	572,633	701,125
of which: covered bonds	113,097	113,296	113,097	113,296
of which: equity	720,859	1,184,791	11,405,382	7,232,436
of which: other items	5,977,088	5,393,855	3,875,025	3,600,694
Securitisation positions	1,025,674	-	1,025,674	-
Market risk	629,992	655,927	927,764	2,037,608
of which: foreign exchange risk	629,992	655,927	927,764	2,037,608
Operational risk	3,176,881	2,252,092	3,028,656	2,202,000
Credit valuation adjustments	5,316	8,709	5,316	8,709
Total risk exposure amount	62,840,833	61,835,794	73,928,550	69,646,678

	Consolidated situation		Klarna Bank AB (publ)	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Total minimum capital requirements				
Credit risk including counterparty credit risk	4,640,238	4,713,525	5,515,291	5,231,868
of which: institutions	95,175	100,279	39,275	50,888
of which: corporates	578,988	503,670	1,198,884	1,118,776
of which: retail	3,370,677	3,513,265	2,999,840	3,130,401
of which: exposures in default	50,514	60,955	45,811	56,090
of which: covered bonds	9,048	9,064	9,048	9,064
of which: equity	57,669	94,783	912,431	578,595
of which: other items	478,167	431,509	310,002	288,054
Securitisation positions	82,054	-	82,054	-
Market risk	50,399	52,474	74,221	163,009
of which: foreign exchange risk	50,399	52,474	74,221	163,009
Operational risk	254,151	180,167	242,293	176,160
Credit valuation adjustments	425	697	425	697
Total capital requirement	5,027,267	4,946,863	5,914,284	5,571,734
Own funds disclosure				
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts	33,180,437	32,237,388	27,240,190	26,366,372
Retained earnings	-8,665,648	-1,648,704	-8,473,387	-2,426,892
Accumulated other comprehensive income (and other reserves)	913,665	323,523	996,274	1,051,163
Common Equity Tier 1 capital before regulatory adjustments	25,428,454	30,912,207	19,763,077	24,990,643
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	-1,898	-1,487	-1,360	-1,487
Intangible assets (net of related tax liability)	-10,890,179	-5,949,231	-784,904	-772,895
Losses for the current financial year	-6,315,955	-7,016,944	-5,364,660	-6,046,495
IFRS 9 transitional adjustments to CET1 Capital	1,445,104	1,435,830	1,036,842	1,000,730
Deferred tax assets rely on future profitability	-9,489	-7,538	-	-
Securitisation positions alternatively subject to a 1250% risk weight	-269,807	-	-269,807	-
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-16,042,224	-11,539,370	-5,383,889	-5,820,147
Common Equity Tier 1 (CET1) capital	9,386,230	19,372,837	14,379,188	19,170,496
Additional Tier 1 (AT1) capital instruments				
Capital instruments and the related share premium accounts	256,372	256,372	276,000	250,000
of which: classified as equity under applicable accounting standards	256,372	256,372	276,000	250,000
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	127,316	83,929	-	-
Total Additional Tier 1 (AT1) capital instruments	383,688	340,301	276,000	250,000
Tier 1 capital	9,769,918	19,713,138	14,655,188	19,420,496
Tier 2 (T2) capital instruments				
Capital instruments and the related share premium accounts	-	-	301,223	301,056
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	201,449	142,356	-	-
Total Tier 2 (T2) capital instruments	201,449	142,356	301,223	301,056
Own funds	9,971,367	19,855,494	14,956,411	19,721,552

Note 16 Business combinations

PriceRunner Group AB, 2022

On April 1, 2022, Klarna Bank AB (publ) acquired 100% of the shares in PriceRunner Group AB (PriceRunner). PriceRunner is a price comparison platform for e-commerce, offering to help consumers find better products and better prices by comparing prices for a particular product with many merchants. The core offering includes product price comparison (and price history), user reviews, testing/recommendations, payment and delivery options.

The total consideration was SEK 4,617m and was paid in cash and shares in Klarna Holding AB (publ). The acquisition was accounted for under the acquisition method. Of the total purchase consideration, SEK 1,923m has been recorded to goodwill, SEK 3,446m to acquired intangible assets, SEK 711m to deferred tax liabilities and SEK -41m to other net assets. The purchase price allocation is considered preliminary at the end of the period.

The goodwill primarily refers to PriceRunner's market position, growth through additional merchants and Klarna synergies.

From the date of acquisition until June 30, 2022, PriceRunner Group AB and its wholly-owned subsidiaries contributed by SEK 113m, net, to the Group's total operating revenues. The total effect on the Group's net result is SEK 15m. If the acquisition date for the combined entity had been as of the beginning of the reporting period, the Group's total operating revenues would have been SEK 128m higher. The Group's net result would have been SEK 22m higher.

Note 17 Significant events after the end of the reporting period

On July 11 2022 Klarna Holding AB (publ) raised USD 800m in equity in a funding round for the expansion of Klarna's leading position in the United States.

CEO's affirmation

The CEO certifies that this interim report provides a fair overview of the Parent Company's and the Group's operations, their financial position and results, and describes material risks and uncertainties that the Parent Company and other companies in the Group are facing.

Stockholm, August 30, 2022

Sebastian Siemiatkowski
CEO

Further information

For more information, visit the Company website at www.klarna.com or contact:

Press: Aoife Houlihan, Head of Communications, +46 72 855 8047, aoife.houlihan@klarna.com

Klarna Bank AB (publ)
Sveavägen 46
111 34 Stockholm
Sweden
Phone: +46 8 120 120 00
Corp. ID: 556737-0431

The information in this report is such that Klarna Bank AB (publ) is obliged to make public under the EU Market Abuse Regulation and the Securities Market Act. This information was submitted for publication, through the agency of the contact persons set out above, on August 31, 2022 at 8:00 a.m. CET.



Review report

Klarna Bank AB, corporate identity number 556737-0431

Introduction

We have reviewed the condensed interim report for Klarna Bank AB as at June 30, 2022 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies for the Group, and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies for the Parent Company.

Stockholm, 30 August 2022

Ernst & Young AB

Jesper Nilsson

Authorized Public Accountant

Definitions and Abbreviations

Advertising products and services

Services provided to retailers to engage and attract consumers including AI and influencer-led content creation, search and dynamic advertising and in-app sponsored placements.

Capital requirement

Total assets and off-balance sheet items, risk-weighted according to the capital adequacy rules for credit and market risk. The operational risks are measured and added as risk exposure amount.

Common Equity Tier 1 capital

Equity excluding proposed dividend, deferred taxes and intangible assets and certain other regulatory adjustments defined in Regulation (EU) No 575/2013 (CRR) and EU 241/2014.

Consumer

An individual or company using our services.

Debt/equity ratio*

Average liabilities adjusted for untaxed reserves in relation to average equity adjusted for untaxed reserves. The calculation of average liabilities and average equity is based on opening and closing balances for the period.

Equity/assets ratio*

Equity adjusted for untaxed reserves as a percentage of total assets at the end of the period.

Financing

Klarna's account product.

Gross Merchandise Value

Value of products sold through Klarna platform.

Klarna Card

Klarna's physical shop anywhere card.

Klarna In-Store

Klarna's product for physical stores allows retailers to offer our alternative payment methods wherever they get in direct contact with their customers.

Monthly active app users

Number of unique authenticated app (web + native) users per calendar month. Information from internal estimates.

Own funds (Total capital)

The sum of Tier 1 capital and Tier 2 capital.

Pay now

Klarna's product for immediate settlement.

Retailers

Klarna's e-commerce customers.

Return on assets*

Net result for the last 12 months as a percentage of average total assets. The calculation of average total assets is based on opening and closing balances for the last 12 months.

Return on equity*

Operating result for the last 12 months as a percentage of average equity adjusted for untaxed reserves. The calculation of average equity is based on opening and closing balances for the last 12 months.

Restricted Stock Units

Klarna's Restricted Stock Unit Program for employees, implemented in 2020.

Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 2 capital

Subordinated liabilities, which are eligible for inclusion in the total capital.

Total capital ratio

Total capital as a percentage of risk exposure amounts.

*Alternative Performance Measures (APM) are financial measures of historical or future financial position, performance or cash flow that are not defined in applicable regulations (IFRS) or in the EU Capital Requirements Regulation and Directive CRR/CRD IV. APMs are used by Klarna when relevant to assess and describe Klarna's financial situation and provide additional relevant information and tools to enable analysis of Klarna's performance. APMs on return on equity and return on assets provide relevant information on the performance in relation to different investment measurements. All these measures may not be directly comparable with similar key measures presented by other companies.



Klarna.