

First Quarter Results 2023

150m+

Global consumers

500k+

Global retail partners

BBB-/A3-

S&P Global credit rating ¹

SEK 211bn

Q123 GMV up 13% YoY

+22%

Q123 Net Operating Income to SEK 4.4bn

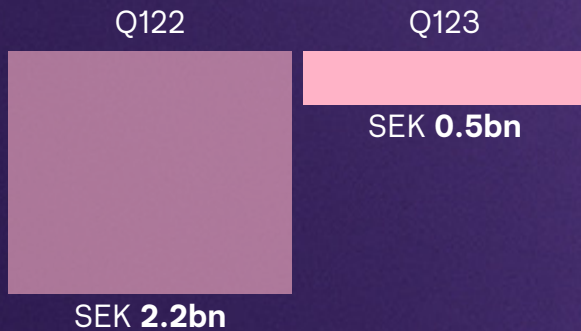
SEK 4.9bn

Q123 Revenue up 13% YoY

Adjusted operating loss improvement

78%

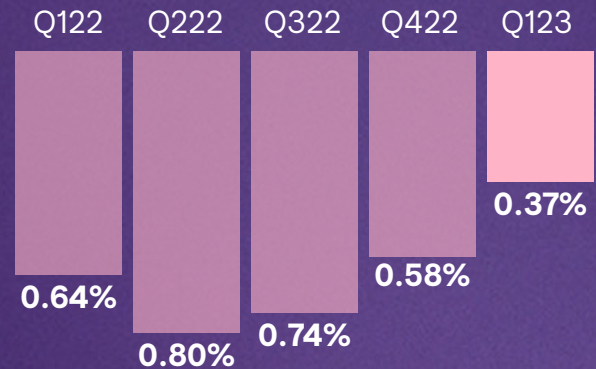
YoY improvement



Credit losses as % of GMV

42%

YoY improvement



Results here are presented for Klarna Holding AB unless otherwise stated.

“We’re thrilled to team up with Airbnb and bring Klarna’s flexible services to travelers all over the world! By offering flexible payment options, we can support Airbnb’s mission of creating a world where anyone can belong anywhere. This quarter we’ve impressively managed to grow GMV and revenue, at the same time as we cut costs and credit losses, and also investing ambitiously in AI driven products. We are on track to achieve profitability this year all while revolutionizing shopping and payments through our AI-powered approach.”

Sebastian Siemiatkowski, CEO and Co-Founder of Klarna

¹ Klarna Bank AB

- New collaboration with Airbnb to support flexible, interest-free payments for its 300m expected guests marks a significant milestone for Klarna in the travel and experiences sector
- Klarna is the first European bank powered by artificial intelligence (AI) and was the first European company to create a ChatGPT plug-in integration, supporting the best shopping and payments experience for consumers
- Investment grade credit rating highlights strong progress on path to profitability, with credit losses improving 35% YoY and adjusted² operating losses improving 78% YoY

| Amounts in SEKbn | FY 2021 | FY 2022 | Q122 | Q222 | Q322 | Q422 | Q123 | Q1 YoY |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gross merchandise volume | 689.1 | 837.3 | 187.0 | 209.2 | 199.0 | 242.0 | 210.7 | 13% |
| Klarna Holding income statement | | | | | | | | |
| Total net operating income | 13.9 | 16.7 | 3.6 | 4.0 | 4.1 | 5.0 | 4.4 | 22% |
| Revenue | 15.9 | 19.3 | 4.4 | 4.7 | 4.6 | 5.6 | 4.9 | 13% |
| Credit losses | -4.6 | -5.7 | -1.2 | -1.7 | -1.5 | -1.4 | -0.8 | -35% |
| Total operating expenses before credit losses | -15.9 | -21.5 | -5.0 | -6.1 | -4.8 | -5.6 | -4.7 | -5% |
| Adjusted Operating Results (Non-IFRS) | -5.2 | -7.8 | -2.2 | -2.9 | -1.6 | -1.2 | -0.5 | -78% |
| Net result for the period | -7.1 | -10.4 | -2.6 | -3.8 | -2.2 | -1.9 | -1.3 | -52% |
| Net result for the period - Klarna Bank AB | -7.1 | -10.2 | -2.6 | -3.6 | -2.1 | -1.9 | -1.3 | -51% |
| Key ratios | | | | | | | | |
| Take Rate (Revenue/GMV) | 2.31% | 2.31% | 2.34% | 2.26% | 2.31% | 2.33% | 2.35% | 0.3% |
| Credit loss rate | -0.67% | -0.68% | -0.64% | -0.80% | -0.74% | -0.58% | -0.37% | -42% |
| Cost income ratio | -114% | -128% | -139% | -152% | -116% | -112% | -109% | -22% |

Klarna, as the first European bank powered by artificial intelligence (AI) and the first European company to create a ChatGPT plug-in integration, is at the forefront of revolutionizing the shopping and payments industry to accelerate commerce. Our agility and innovative operating model allow us to leverage emerging opportunities such as generative AI, distinguishing us from traditional banking and credit card companies.

AI-powered Digital Financial Assistant

Klarna's vision is to serve as a digital financial assistant that prioritizes the best interests of consumers and helps them save time, money and worry less. Our unique product-level data, covering over 615 million products sold in Q1 alone, coupled with over 300 billion data points consumers have chosen to share with us, opens up tremendous opportunities to deliver personalized shopping experiences using AI. This rich and granular data,

² Adjusted operating results are defined as IFRS operating results, excluding restructuring costs, share-based payments, related payroll taxes, depreciation and amortization. A reconciliation of adjusted operating result to IFRS operating result can be found on p8 of this report.

unparalleled in the industry, puts Klarna in a unique position and we're already seeing fantastic traction.

Transforming Shopping: The AI-Driven Paradigm Shift

The power of AI is reshaping the shopping landscape, shifting the traditional Western model where the majority of purchases come from search rather than recommendations. Instead it's rapidly bringing us closer to the Chinese model, where a remarkable 80% of purchases are driven by recommendations³. In line with this transition, Klarna recently launched our AI-powered personalized shopping feed and integrated ChatGPT plug-in. By delivering customized recommendations, we are enhancing customer loyalty, supporting retailers' growth, and ultimately boosting Klarna's revenues.

We continue to embed AI into our business at pace to improve internal efficiencies and provide customers with an even better service and experience. For example, within customer service, we've introduced real-time translations, expanded languages in our customer chat, and significantly sped up dispute resolution. Our AI-driven logging of customer interactions is already 18 percentage points more accurate than manual agent logging, providing Klarna consumers with a faster and smoother customer experience while driving cost efficiencies.

Profitability in Focus: A Significant Leap Forward

On the financial front, we have made significant strides towards profitability. Klarna's operating loss has more than halved from Q122, and improved 78% on an adjusted⁴ basis, positioning us firmly on track to achieve our goal of profitability on a monthly basis in the second half of the year. Our progress towards profitability and our robust position in the e-commerce market are reflected in Klarna's BBB-/A-3 credit rating with a stable outlook by S&P Global.

Our Q1 2023 performance underscores the agility of our business model and our ability to quickly adapt to macroeconomic conditions. We have improved our credit loss rates⁵ by 42% year-on-year and reduced credit losses by 35% compared to Q1 of last year. Global GMV increased by 13% YoY in Q1 2023, well ahead of the global e-commerce market contraction of -2%⁶. Total net operating income increased by 22% to SEK 4.4bn.

Retailer revenue in Q1 2023 outpaced GMV, increasing by 17% compared to the previous year. Our fastest-growing revenue stream, marketing revenue, increased by 276% compared to the same quarter two years ago, indicating our successful diversification beyond payments and buy now, pay later (BNPL).

³ Nielsen, 2019

⁴ Adjusted operating results are defined as IFRS operating results, excluding restructuring costs, share-based payments, related payroll taxes, depreciation and amortization.

⁵ Credit losses/Gross Merchandise Volume

⁶ [Digital Commerce Growth, Salesforce Shopping Index](#)

In the US we continue to see double digit GMV growth with credit loss rates⁷ improving 64%. New partnerships such as our new collaboration with Airbnb to support flexible payments for their 300 million expected guests, as well as Samsung, Uniqlo and Boden, and expanded partnerships with existing partners such as Nike, Etsy, and Tod's continues to drive US growth.

Investing in the Future of Shopping

Klarna continues to invest in new and enhanced products, demonstrated by our most recent [Spring Spotlight launch](#), to strengthen our platform for future growth while simultaneously continuing to drive cost efficiencies. Our vision to become the shopping destination of the future and a growth partner for retailers aligns with our mission to accelerate commerce.

Our newly launched Klarna app, with its [AI-powered personalized shopping feed](#) and fresh design, offers smart shopping and financial management tools in one convenient location. Klarna's new growth tools assist retailer growth through [self-service advertising](#) and [high-intent consumer targeting](#). Our innovative personal shopping assistant, [Ask Klarna](#), connects consumers with real experts for product advice, boosting buying confidence and increasing conversion rates.

In addition, Klarna's [new resell functionality](#) makes it easy for consumers to resell items purchased through Klarna. This feature not only contributes to the circular economy but also generates additional revenue for both consumers and Klarna.

⁷ Credit losses/GMV

Income Statement, Klarna Bank AB Group

| Amounts in SEKm | Jan - Mar 2023 | Jan - Mar 2022 | Jan - Dec 2022 |
|---|----------------|----------------|----------------|
| Interest income | 1,274 | 1,089 | 4,422 |
| Interest expenses | -556 | -233 | -1,162 |
| Net interest income | 718 | 856 | 3,260 |
| Commission income | 3,439 | 3,071 | 13,422 |
| Commission expenses | -222 | -176 | -724 |
| Net result from financial transactions | -108 | -427 | -1,026 |
| Other operating income | 458 | 228 | 1,639 |
| Total net operating income | 4,285 | 3,551 | 16,571 |
| General administrative expenses | -4,114 | -4,671 | -19,581 |
| Depreciation, amortization and impairment of intangible and tangible assets | -581 | -230 | -1,504 |
| Total operating expenses before credit losses | -4,695 | -4,901 | -21,085 |
| Operating result before credit losses, net | -410 | -1,350 | -4,514 |
| Credit losses, net | -775 | -1,189 | -5,717 |
| Operating result | -1,185 | -2,538 | -10,231 |
| Income tax | -86 | -32 | 27 |
| Net result for the period | -1,271 | -2,570 | -10,204 |

Balance Sheet, Klarna Bank AB Group

| Amounts in SEKm | 31 Mar 2023 | 31 Dec 2022 | 31 Mar 2022 |
|--|----------------|----------------|----------------|
| Assets | | | |
| Cash and balances with central banks | 13,049 | 16,085 | 9,340 |
| Treasury bills chargeable at central banks, etc. | 18,538 | 10,713 | 13,563 |
| Loans to credit institutions | 2,363 | 3,783 | 4,286 |
| Loans to the public | 66,889 | 74,151 | 62,234 |
| Bonds and other interest-bearing securities | 861 | 864 | 1,130 |
| Other shares and participations | 344 | 338 | 461 |
| Intangible assets | 11,680 | 11,644 | 5,478 |
| Tangible assets | 1,898 | 2,044 | 2,200 |
| Deferred tax assets | 384 | 395 | 337 |
| Other assets | 2,577 | 3,216 | 2,811 |
| Prepaid expenses and accrued income | 873 | 1,065 | 1,042 |
| Total assets | 119,456 | 124,298 | 102,882 |
| Liabilities | | | |
| Liabilities to credit institutions | 1,082 | 2,829 | 947 |
| Deposits from the public | 78,892 | 81,068 | 61,159 |
| Debt securities issued | 1,642 | 1,676 | 6,290 |
| Deferred tax liabilities | 889 | 912 | 189 |
| Other liabilities | 20,865 | 22,527 | 15,605 |
| Accrued expenses and prepaid income | 2,656 | 2,648 | 2,156 |
| Provisions | 95 | 112 | 61 |
| Subordinated liabilities | 303 | 303 | 301 |
| Total liabilities | 106,424 | 112,075 | 86,708 |
| Equity | | | |
| Share capital | 74 | 69 | 67 |
| Other capital contributed | 31,980 | 29,980 | 26,301 |
| Reserves | 466 | 422 | 245 |
| Additional Tier 1 instruments | 276 | 276 | 526 |
| Retained earnings | -18,493 | -8,320 | -8,395 |
| Net result for the period | -1,271 | -10,204 | -2,570 |
| Total equity | 13,032 | 12,223 | 16,174 |
| Total liabilities and equity | 119,456 | 124,298 | 102,882 |

Cash Flow Statement, condensed, Klarna Bank AB Group

| Amounts in SEKm | Jan - Mar 2023 | Jan - Mar 2022 | Jan - Dec 2022 |
|---|----------------|----------------|----------------|
| Cash flow from operating activities ¹ | 5,124 | -4,460 | 10,385 |
| Cash flow from investing activities | -263 | -189 | -4,583 |
| Cash flow from financing activities | -173 | -2,666 | -7,482 |
| Cash flow for the period | 4,688 | -7,315 | -1,680 |
| Cash and cash equivalents at the beginning of the period | 17,724 | 18,702 | 18,702 |
| Cash flow for the period | 4,688 | -7,315 | -1,680 |
| Exchange rate diff. in cash and cash equivalents | 23 | 249 | 702 |
| Cash and cash equivalents at the end of the period | 22,435 | 11,636 | 17,724 |
| Cash and cash equivalents include the following items | | | |
| Cash and balances with central banks ² | 12,903 | 9,340 | 16,085 |
| Loans to credit institutions ³ | 1,293 | 2,296 | 1,639 |
| Treasury bills chargeable at central banks, etc. | 8,239 | - | - |
| Cash and cash equivalents | 22,435 | 11,636 | 17,724 |
| Additional liquidity portfolio ⁴ | 11,160 | 14,693 | 11,577 |
| Total cash and liquidity⁴ | 33,595 | 26,329 | 29,301 |

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

² Excludes mandatory deposits held by Bundesbank.

³ Adjusted for non-cash items such as money in transit.

⁴ As a bank, cash flows from operating activities include the net of inflows and outflows from the bank's borrowing and lending activities, including deposits, and are not a simple reflection of a bank's net operating result for the period. In addition to cash and cash equivalents of SEK 22.4bn at the end of the period, Klarna holds SEK 11bn in treasury bills and bonds in an additional liquidity portfolio.

Reconciliation of alternative performance measures

Klarna uses certain alternative performance measures of financial performance. These include adjusted operating results. Klarna believes this is an important measure of performance as it reflects underlying business activity and performance, including growing revenue and managing expenses since it excludes items that are generally not a function of the company's underlying operating performance.

Reconciliation of IFRS Operating results to Adjusted Operating Results

| Amounts in SEKm | FY 2021 | FY 2022 | Q122 | Q222 | Q322 | Q422 | Q123 |
|--|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Klarna Holding IFRS Operating Results | -6,595 | -10,470 | -2,600 | -3,748 | -2,123 | -2,000 | -1,152 |
| (-) Restructuring costs | 6 | 501 | 0 | 331 | 0 | 170 | 166 |
| (-) Share-based payments (incl. payroll taxes) | 622 | 523 | 173 | 151 | 76 | 123 | 104 |
| (-) Depreciation and amortization | 746 | 1,639 | 266 | 410 | 487 | 476 | 414 |
| (=) Adjusted Operating Results | -5,220 | -7,808 | -2,161 | -2,856 | -1,560 | -1,230 | -468 |

Adjusted Operating Results is defined as IFRS operating result, excluding Restructuring costs; Share-based payments and related payroll taxes and; Depreciation and amortization.

Reconciliation of Revenue to Total net operating income

| Amounts in SEKm | FY 2021 | FY 2022 | Q122 | Q222 | Q322 | Q422 | Q123 |
|--|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 15,929 | 19,340 | 4,375 | 4,725 | 4,597 | 5,643 | 4,946 |
| Commission Expenses | -710 | -724 | -176 | -108 | -211 | -230 | -222 |
| Net result from financial transactions | -670 | -1,050 | -426 | -452 | -65 | -107 | -109 |
| Interest Expenses | -666 | -1,050 | -228 | -221 | -255 | -346 | -481 |
| Interest on liquidity assets | 64 | 192 | 28 | 29 | 45 | 88 | 225 |
| (=) Total Operating Income | 13,948 | 16,707 | 3,574 | 3,973 | 4,112 | 5,049 | 4,359 |

Revenue is defined as Total Operating Income in accordance with IFRS excluding; commission expense, interest expense, net result from financial transactions and interest on liquidity assets not related directly to the core business. Interest on liquidity assets that are not directly related to the core business stems from loans to credit institutions and other interest income. Klarna believes Revenue is the best indicator of how much value we are sustainably generating from our business and that this approach is in-line with our peers.