Klarna.

Klarna Bank AB (publ)
Annual Report 2022

Corp.ID 556737-0431
January to December 2022

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Board of Directors Report

The Board and CEO of Klarna Bank AB (publ) hereby submits the report for the period January 1 - December 31 2022. Klarna Bank AB (publ)’s parent company is Klarna Holding AB (publ). This report presents the figures for Klarna Bank AB (publ) and its subsidiaries. The report has been prepared in thousands of Swedish kronor 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, active in 45 markets.

Now we are a global leading payments network and shopping destination that accelerates commerce by offering fairer, more sustainable, innovative solutions. We are committed to providing a seamless and secure shopping experience that helps our customers save time, save money and worry less.

Klarna is on a mission to accelerate commerce by putting customers at the heart of everything we do. We began by revolutionizing the retail banking industry before expanding into commerce solutions with strategic investments to solve real problems identified through consumer insights in the shopping journey.

Our success is the result of strong relationships with consumers, retailers, and partners built on trust. Maintaining this trust, especially in the finance industry, requires ethical practices and doing what's right. These principles are woven into all aspects of our business, including data privacy, corporate governance, and fair treatment of employees.

Business Results

Net Operating Income
In 2022 Klarna’s growth continued to outpace e-commerce as we invested further in our products and services to solve real problems identified through consumer insights in the shopping journey. Global Merchandise Volume increased 22% YoY to SEK 837bn and Total Net Operating Income increased 20% YoY to SEK 16,571m at period-end.

Our commission income increased 19% to SEK 13,422m thanks to continued growth in global retail partnerships to over 500k, and growing consumer adoption that boosted payment volumes processed through the Klarna platform.

Growth in Interest income of 9% YoY to SEK 4,422m remained below that of total net operating income as consumer demand for our interest-free, shorter duration payment products outpaced other payment alternatives. Interest expenses remain low in comparison to operating expenses and Total net operating income, increasing to SEK 1,162m at period-end.

Operating expenses
Operating expenses have increased to SEK 21,085m 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. However, the impact of changes we made to the business and cost optimization efforts around peak season allowed Klarna to maintain growth while reducing total operating expenses before credit losses by 6% in H222 compared to the first half of the year.

Average FTEs over the year were 6,011 including new colleagues joining from acquired companies including PriceRunner but does not show the full impact of the restructuring implemented in the second half of the year. Headcount at the end of the year was 5,441.

Klarna has launched 12 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 YoY. However, our focus on the path to profitability is already yielding results with two consecutive quarters of improvement in credit losses, meaning net credit losses amounted to SEK 5,717m for the period. Credit losses remain low in comparison to GMV, at 0.68% for FY22 and as low as 0.58% at Q422. We continue to see substantial progress on credit losses in the US, with credit loss rates down 37% YoY.

Liquidity and funding
Significant volume growth across all markets contributed to an increase in Loans to the public of SEK 74,151m.

Deposits from the public increased to SEK 81,068m as the popularity of our savings accounts in Germany and Sweden increases with the addition of value-adding features such as savings ‘pools’ in Germany to help consumers more easily reach their financial goals.

The average duration of Klarna’s credit portfolio is ~40 days. This remains an extremely short duration compared to Klarna’s liabilities, reflecting the short-term nature of the majority of Klarna’s products and low average Pay later balances. The CET1 ratio for Klarna Bank AB is 15.8%.

Branches Abroad
Klarna Bank AB (publ) operates Klarna Bank AB UK Branch, Klarna Bank AB German Branch, Klarna Bank AB Norwegian Branch, Klarna Bank, filial af Klarna Bank AB (publ), Sverige (Denmark), Klarna Bank AB, Sucursal en España (Spain), and Klarna Bank AB Irish Branch. Klarna Bank AB - Sucursal em Portugal and Klarna Bank AB French Branch.

Interactions with 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. Draft legislation was published by the UK Government in February 2023, after the period end. 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.[1]

[1] HM Treasury ‘Regulation of Buy Now Pay Later Consultation’

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. In Klarna's view, 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 this basis.

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 ongoing inspection is part of the SFSA's regular supervisory activities and Klarna is one of three companies being subject to a similar inspection.

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.

In September, Klarna was appointed as a member of the Strategic Working Group (SWG) in support of work by UK regulators to develop a roadmap for the future of Open Banking in the UK. The role of the SWG is to collate views and input from the Open Banking industry and broader stakeholders. As one of Europe's largest providers of Open Banking services, we welcomed the opportunity to contribute to this important work. The SWG intends to publish a report in Q123 with recommendations for UK regulators on how to approach the future of Open Banking.

On 15 September the US Consumer Finance Protection Bureau's (CFPB) issued a report on its findings from the BNPL consultation they initiated in March 2022 which Klarna responded to alongside other operators. We continue to work closely with the CFPB as they develop their thinking and approach towards the BNPL sector.

On 9 December the UK Government published a consultation on its proposals to reform the 1974 Consumer Credit Act (CCA). Klarna welcomes this announcement and sees such reform as an opportunity to update the regulation of consumer credit so that it drives better outcomes for consumers. Updated regulation will ensure the UK credit sector remains competitive and consumers are protected to a high standard. Klarna will engage with this consultation in Q123.

Significant events

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.

On 1 April the acquisition of PriceRunner by Klarna Bank AB was completed.

On 27 October, Klarna repurchased SEK 1,844 million of senior unsecured floating rate bonds as part of our regular liability management due to Klarna's strong liquidity position.

On 23 December, Klarna Bank AB registered 1,763,436 shares as part of an internal restructuring to move some operative companies from Klarna Holding to sit under Klarna Bank.

Significant events after the period
On 10 January, 7,272,875 shares were registered in Klarna Bank and issued to Klarna Holding following receipt of a capital contribution.

On 23 February 2023, Klarna Bank resolved to issue 7,272,875 shares to Klarna Holding following receipt of a capital contribution.

Future Development
Klarna is on a mission to accelerate commerce by putting customers at the heart of everything we do. We will continue to expand our commerce solutions with strategic investments to solve real problems identified through consumer insights in the shopping journey. We will continue to invest in our products and services including the Klarna app, Card, bank accounts, open banking and our marketing services to create a strong platform for future growth as the shopping destination of the future.

ESG report
In accordance with the Annual Accounts Act Chapter 6, 11§ Klarna Holding AB (publ) has decided to report the Environment, Social and Governance (ESG) separately from the Annual Report. The ESG report has been submitted to the auditors at the same time as the Annual Report. The report is available at Klarna's website www.klarna.com

Modern Slavery and Human Trafficking report
Klarna Bank AB (publ) has decided to report the Modern Slavery and Human Trafficking report, published in accordance with the UK Modern Slavery Act 2015, separate from the Annual Report. The report is available at Klarna's website www.klarna.com

Proposed treatment of unappropriated earnings
The Board and the CEO propose to the Annual General Meeting that the non-restricted equity of SEK 12,366,237,203 on Klarna Bank AB (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward.

Additional Tier 1 instruments	276,000,000 SEK
Other reserves	-172,360,791 SEK
Retained earnings	21,138,623,152 SEK
Net result for the year	–8,876,025,158 SEK
Total	12,366,237,203 SEK

Corporate Governance Report

Corporate Governance Report 2022

About Klarna

Klarna Bank AB (corporate registration no. 556737-0431) (“Klarna”) is a Swedish public limited liability company licensed to carry out banking activities under the supervision of the Swedish Financial Supervisory Authority (SFSA). Klarna is categorized by the SFSA as a category 2 institution[2].

Klarna Bank AB provides its financial services in other EEA countries through passporting its license in accordance with EU directive 2013/36/EU and by establishing local branches. Klarna also offers its financial services outside the EEA through the establishment of local subsidiaries in certain jurisdictions. Klarna’s corporate governance framework and approach apply to Klarna Holding AB, Klarna Bank AB and all branches and subsidiaries.

The Corporate Governance Report is produced according to the Swedish Annual Accounts Act (SFS 1995:1554). Klarna is not obliged to nor does it comply with the Swedish Corporate Governance Code (SCGC).

When signing the annual accounts on February 24, 2023, the Board of Directors also approved the Corporate Governance Report.

Governance

Good corporate governance means ensuring that Klarna is run sustainably, responsibly and as efficiently as possible. Maintaining the confidence and trust of our stakeholders is vitally important to Klarna’s continued success. This chapter describes Klarna’s corporate governance framework and responsibilities of the various corporate bodies.

Corporate Governance Structure

Klarna’s Corporate governance structure distributes rights and responsibilities between the shareholders, the Board and the CEO according to the relevant laws, rules and internal processes. We believe well defined reporting lines and distribution of distinct responsibilities are essential to good corporate governance. Our high ethical and professional standards and a sound risk culture are also vital in ensuring good governance.

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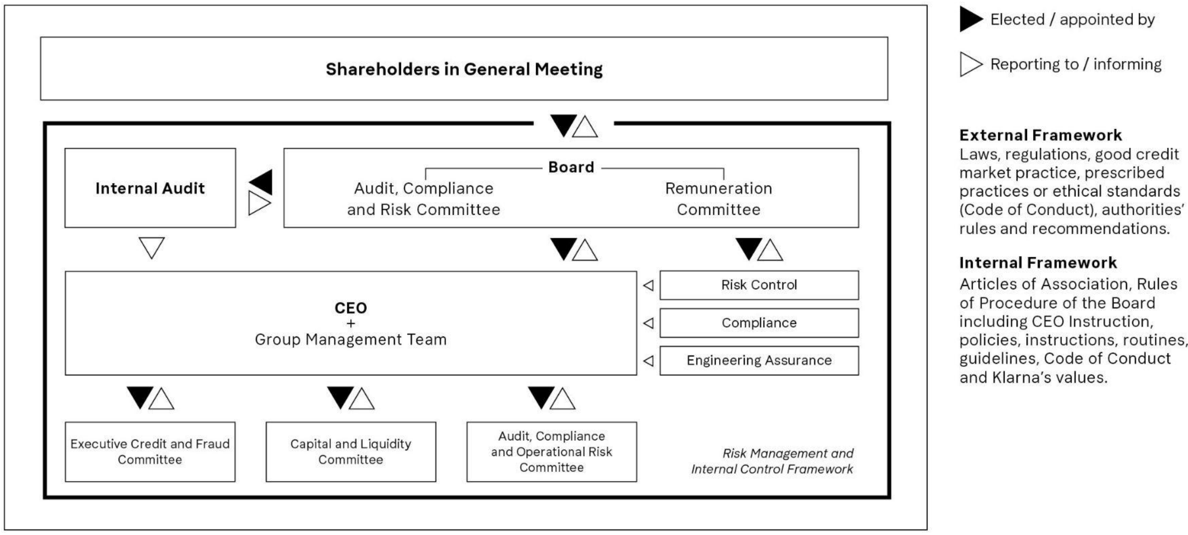
[2] The categorization aims to reflect Klarna’s systematic importance and is based on its size, complexity and scope of activities.

The image below provides a summary of how governance and control are organized at Klarna.



Framework for corporate governance

External Framework
In addition to general laws, rules and industry practices, Klarna must also comply with the detailed regulations specific to banks and payment service providers. These include the Swedish Banking and Financing Business Act (SFS 2004:297) and rules and recommendations issued by the SFSA with regard to, among other things, capital and liquidity requirements as well as rules on internal governance and control. As Klarna has corporate bonds listed at Nasdaq Stockholm, Klarna is also subject to the Rule Book for Issuers of Fixed Income Instruments.

Internal Framework
In order to ensure compliance with external regulations Klarna has developed an internal framework which incorporates the external requirements on corporate governance.

Of primary importance are the Rules of Procedure for the Board (which include how to address conflicts of interest for Board members and instructions for the Board's committees), the Instructions for the CEO, the Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders, and the Policy for Klarna Board Committees. These documents have been adopted by Klarna's Board. Additionally, Klarna's Code of Business Conduct provides an ethical framework for the conduct of all members of governing bodies and employees.

Klarna has established a framework of approved policies and instructions. These are important tools for the Board and the CEO in their governing and controlling roles, as well as defining the roles, requirements and expectations of the second and third lines of defense within risk ownership and all employees in the fulfillment of their roles. These policies include, for example, the Risk Policy, Compliance Policy, Credit Policy, Insider and Disclosure Policy, Conflicts of Interest Policy, Anti-Money Laundering and Counter Terrorist Financing Policy, Remuneration Policy, and the Global Work Environment Policy.

These mechanisms, together with the Articles of Association, constitute the internal framework that regulates corporate governance at Klarna.

Articles of Association

The articles of association are the overall set of rules for the company which are decided by the shareholders at the General Meeting. The Swedish Companies Act sets certain minimum demands on what information they should contain. The Articles of Association are available at the Swedish Companies Registration Office and on Klarna's website. Amendments to the Articles of Association are resolved by the General Meeting pursuant to Swedish law and are subject to the approval of the Swedish Financial Supervisory Authority.

Klarna's Articles of Association can be found at
https://www.klarna.com/international/about-us/corporate-governance/investor-relations/

Klarna's organization

Klarna's organization is divided into domains. Each domain is responsible for a subset of Klarna's overall customer offering and is led by a domain lead who reports to a CXO. Each CXO reports to the CEO and the CEO reports to the Board. There are also four independent control functions outside of the domains: Risk Control, Compliance, Engineering Assurance and Internal Audit. Risk Control, Compliance and Engineering Assurance are all directly subordinated to the CEO and the Board. Internal Audit, which reports directly to the Board, has been outsourced to an external party.

General meeting

The General Meeting is Klarna's highest decision-making body where shareholders exercise their voting rights. At the General Meeting decisions are taken regarding matters including the annual report, the income statement and balance sheet, dividend, election of the Board of Directors and auditors, and remuneration for Board members and auditors.

Voting rights
All shareholders, registered in the Shareholders' Register and having notified their attendance properly, have the right to participate in the General Meeting and to vote for the full number of their respective shares.

Mandate to repurchase and convey own shares
The annual general meeting 2022 neither decided on authorisation to acquire nor convey own shares in Klarna. Consequently, the Board of Directors did not have such authorisations in 2022.

Mandate to issue shares and warrants
The annual general meeting held on May 6, 2022, authorized the Board to issue 2,602,083 shares and 2,602,083 warrants. The extraordinary general meeting held on July 26, 2022, authorized the Board to issue 2,641,202 shares and 3,961,803 warrants.

Klarna’s qualified shareholders

Klarna Holding shareholders >10% are as follows:

Shareholder	% of votes/ownership
Funds advised by Sequoia	21.85%
Aktieselskabet af 20.03.2020	10.09%

Klarna Bank AB is 96.77% owned by Klarna Holding AB.

The Board

The Board is the highest decision-making body in Klarna's structure for management and control. The Board is responsible for the company’s strategy, organization and for the management of the company's operations. The Board also holds the ultimate responsibility for ensuring that Klarna’s corporate governance arrangements meet expectations, and are implemented effectively throughout the organization.

The Board members are elected by the shareholders at the Annual General Meeting (AGM) for a one-year term of office extending through to the next AGM. Klarna is not required to have a nomination committee and as such the Board has not adopted a nomination policy. In practice, the Board members are proposed and appointed by the shareholders holding a majority of the votes as well as the capital of the company.

The Board has adopted Rules of Procedure that regulate the Board's role and ways of working as well as policies for the Board's committees. The Board has overall responsibility for the activities carried out within Klarna and has the following duties, among others:

- deciding on the nature, direction and strategy of the business as well as the framework and objectives of the activities.
- evaluating the effectiveness of operations in relation to the agreed strategy, framework and objectives on a regular basis.
- ensuring that the business is organized in such a way that the accounting, treasury management and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the business are identified, defined, measured, monitored and controlled in accordance with external and internal framework, including the Articles of Association. The board is also responsible for setting Klarna's risk appetite and policies establishing the principles for risk management.
- deciding on major acquisitions and divestments as well as other major investments,
- selecting, monitoring and planning the succession of the Board members,
- appointment or dismissal of the CEO, the Chief Risk Officer, the Chief Compliance Officer and the Chief Information Security Officer.
- deciding on appointment and dismissal of the Internal Auditor (outsourcing partner and/or individual).
- deciding on remuneration of the CEO, members of the CXO team and the heads of the control functions, Risk Control, Compliance and Engineering Assurance.

Board members

Michael Moritz, Chair of the Board
Sebastian Siemiatkowski, CEO
Sarah Smith
Mikael Walther
Lise Kaae
Omid Kordestani
Roger W. Ferguson Jr.

Michael Moritz, Chairman of the Board

Michael is a Partner at Sequoia Capital, where he works with investments in the services sector. He founded Technologic Partners and previously held various positions at Time Warner before joining Sequoia Capital in 1986. Sequoia Capital has invested in companies such as Google, Yahoo, and PayPal, and Michael has served on the Boards of these companies.

Sebastian Siemiatkowski, CEO

Sebastian holds a degree from the Stockholm School of Economics and has eight years of experience in sales, including being former Head of Sales at Djuice Uppsala. However, the most noted of Sebastian's accomplishments is that he, along with our two other founders, revolutionized Swedish e-commerce and created the success story we know today as Klarna.

Mikael Walther, Board Member

Mikael is the managing director at Rosfelt Holding AB. He previously led investment company Navos Capital and has broad experience within investment banking and other financial companies. He has previously worked for Cevian Capital and Goldman Sachs.

Lise Kaae, Board member

Lise most recently comes from Svenska Handelsbanken AB where she was a Board member from 2015 to 2020. She has also been a member of that Board's committee for credit, auditing, and risk. In addition to this, Lise has been a member of the Danish Financial Supervisory Authority's board (Finanstilsynet). Lise also joined the board of directors in Pleo Financial Services A/S in November 2022.

Sarah Smith, Board member

Sarah has over 20 years of experience in banking. She worked at Goldman Sachs from 1996 to 2021, having served as Chief Compliance Officer, Controller and Chief Accounting Officer. She serves on the boards of Via Transportation, 98point6 and PCAP.

Omid Kordestani, Board member

Omid was Senior Vice President of Worldwide Sales and Business Development at Google from 1999 to 2009. He held several other positions within the company, including Chief Business Officer and Senior Advisor for Google. He has also been a board member of Spotify and Vodafone, as well as chairman of the board of Twitter Inc., where he has been a board member from 2020 to 2022.

Roger W. Ferguson Jr., Board member

Roger is the Steven A. Tananbaum Distinguished Fellow for International Economics at the Council on Foreign Relations. He was the president and CEO of TIAA and the former Vice

Chairman of the Board of Governors of the U.S. Federal Reserve System. He serves on the boards of Alphabet, Corning, and International Flavors & Fragrances.

The Chairman

The Chairman of the Board organizes and leads the work of the Board. According to the Rules of Procedure, the Chairman will maintain regular contact with the CEO, ensuring that the Board receives sufficient information and documentation to effectively assess Klarna's current position, financial plans, risks and risk management and future development, and deliberate with the CEO on strategic issues.

Chief Executive Officer

Klarna's Chief Executive Officer (CEO) is responsible for the day-to-day management of the Group's activities in accordance with the external and internal frameworks. The CEO reports to the Board and at each board meeting they submit a report on the performance of the business including updates on strategic priorities set by the Board.

Klarna's CEO is also a Board member and participates in all board meetings, except on matters in which the CEO has an interest that may be in conflict with the interests of Klarna, such as when the CEO's work is evaluated. Other members of the CXO team participate as required by invitation from the Board or CEO.

The Board has adopted an instruction for the CEO's work and duties which also regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO appoints the heads of corporate functions (CXOs) and the heads of the control functions. The Chief Risk Officer, the Chief Compliance Officer and the Chief Information Security Officer appointment and replacement is also approved by the Board. The CEO is Sebastian Siemiatkowski.

The composition of the Board and its committees in 2022 as well as the number of meetings held and the attendance is shown in the table found below under the heading Meetings and attendance.

The reputation, experience and assignments of the Board and the CEO

Board members bring a wealth of relevant professional experience to Klarna, including expertise in banking and finance, e-commerce, technology, payment cards, risk management, governance, accounting, international sales, venture capital, entrepreneurship, and leadership. Additionally, their diverse backgrounds provide valuable knowledge and insight into the conditions and requirements for conducting business in the different markets where Klarna operates.

Suitability assessment
To ensure Klarna’s Board members and CEO have the right skills, knowledge and experience, the Board has adopted the Suitability, Training and Diversity Policy. This policy looks at the person's experience and reputation and makes sure they're a good fit for the company. It also evaluates their ability to commit the time and effort needed to do their job well. The Chief Operating Officer is responsible for the assessment at appointment and then subsequently at least every two years or sooner if events observed through the ongoing monitoring process suggest a review would be prudent. When a new Board member or a new CEO assumes their duties, they are also externally assessed by the SFSA. The CEO's performance and qualifications will be evaluated the same way as Board members. According to the Rules of Procedure of the Board, the Board ensures that the CEO fulfills his duties. The Board is responsible for appointing and retains the authority to dismiss the CEO of Klarna.

Diversity
Klarna understands that having a diverse Board is crucial to ensure the Board can do its job well and has the knowledge and experience needed to navigate the various social, business and cultural conditions of the markets Klarna operates in and the activities the company is involved in.

The Suitability, Training and Diversity Policy adopted by the Board lays out the diversity requirements Klarna’s Board is expected to meet. This policy emphasizes that all Board assignments should be made based on merit and with the goal of maintaining and enhancing the Board's overall effectiveness. In order to achieve this, the company looks for a wide range of qualifications and competencies, and places a strong emphasis on diversity in terms of age, gender, geographical background, and educational and professional experience.

Number of assignments
Klarna must evaluate the number of positions held by the Board members and CEO to ensure that it is reasonable and appropriate. The evaluation takes into account the specific circumstances and the nature, scale, and complexity of Klarna's business operations. The company has determined that all Board members' assignments comply with regulatory requirements.

A detailed presentation of the members' background and other assignments can be found on www.klarna.com/international/corporate-governance/the-board/.

Training
The Board sets a training plan every year, and it is the responsibility of the Compliance function to implement the plan for the Board. The training plan includes an orientation program for new Board members and ongoing training on important topics for individual members and the Board as a whole in matters that have been considered important by the Board itself. This is to ensure that the Board is continuously informed and updated on the relevant matters that affect the company.

Board committees

The overall responsibility of the Board cannot be delegated. The Board has established two separate working committees, the Remuneration Committee and the Audit, Compliance & Risk Committee, to assist the Board in fulfilling the responsibilities outlined above. The duties of the Board Committees, as well as working procedures, are defined in the Policy for Klarna Board Committees. Each committee regularly reports on its work to the Board. Committee members are appointed by the Board for a period of one year at a time.

Remuneration Committee

The Remuneration Committee (Rem Co) is responsible for preparing and presenting proposals to the Board on remuneration issues. This duty includes proposals regarding the Group's Remuneration Policy and on remuneration to members of the CXO-team and employees who head any of the control functions. Klarna's Board has adopted a Remuneration Policy which creates sound and standardized remuneration structures throughout the organization. This is revised when necessary and at least annually.

The Rem Co makes a competent and independent evaluation of the Remuneration Policy and Klarna's remuneration system, and presents to the Board on at least an annual basis, together with the suitable control function(s). The Rem Co handles matters within its responsibility on an ongoing basis through correspondence between the committee members. Any formal decisions not covered by its delegation authority are reported to and documented by the Board at the closest following Board meeting. Under the oversight of Rem Co, Klarna has established a Remuneration Policy and processes, securing sound and standardized remuneration structures throughout the organization.

Members during 2022: Omid Kordestani (Chair), Michael Moritz and Sarah Smith

Audit, Compliance & Risk Committee

The Audit, Compliance & Risk Committee (ACRC) is responsible for oversight and preparation of all matters related to audit (both internal and external), compliance, risk and financial reporting and related internal control arrangements. ACRC held 9 meetings in 2022 and provided regular updates to the Board on matters pertaining to its responsibilities. More information about the number of meetings and attendance can be found below.

Members during 2022: Sarah Smith (Chair), Mikael Walther and Lise Kaae

Meetings and attendance

The table shows the number of meetings held in 2022 by the Board of Directors and its committees as well as the attendance of the individual Board members:

Meetings and attendance

The table shows the number of meetings held in 2022 by the Board of Directors and its committees as well as the attendance of the individual Board members:

	KHAB Board of directors	KBAB Board of directors	Audit, Compliance and Risk Committee	Remuneration Committee	Independence in relation to the Company	Independence in relation to significant shareholders
2022						
Number of meetings	30	12	9	2		
(of which are email resolutions)	22	5	0	2		
Michael Moritz	**30**	**12**	**-**	**2**	**Y**	**N**
Sebastian Siemiatkowski*	**30**	**12**	**-**	**-**	**N**	**N**
Sarah Smith	**30**	**12**	**9**	**2**	**Y**	**Y**
Lise Kaae	**30**	**12**	**9**	**-**	**Y**	**N**
Mikael Walther	**30**	**12**	**9**	**-**	**Y**	**N**
Omid Kordestani	**30**	**12**	**-**	**2**	**Y**	**Y**
Roger W. Ferguson Jr.	**30**	**12**	**-**	**-**	**Y**	**Y**

CXO team

The CEO works together with the CXOs in Klarna's Group Management Team. The CXOs are responsible for matters of common concern to several corporate functions, strategic issues, business plans, financial forecasts and reports. The CXOs usually meet weekly or when the CEO convenes a meeting.

The CXO Team[3] consists of:
Sebastian Siemiatkowski, CEO
David Fock, Chief Product Officer
Camilla Giesecke, Chief Operating and Expansion Officer
Niclas Neglén, Chief Financial Officer
David Sandström, Chief Marketing Officer
Yaron Shaer, Chief Technical Officer
David Sykes, Chief Commercial Officer

Management committees

The CEO has, besides the CXO-team, three separate committees at his disposal for the purpose of managing the operations:

Executive Credit and Fraud Committee, which is responsible for reviewing credit risk results and trends as well as steering the company's overall generation of credit risk.

[3] During 2022 Knut Frängsmyr, Linda Höglund, Koen Koppen and Luke Griffiths stepped down from the CXO team.

Capital and Liquidity Committee, which is responsible for assessment and decision within the internal capital assessment process.

Audit, Compliance and Operational Risk Committee, which is responsible for providing oversight and retaining executive responsibility for all Audit, Compliance and Operational Risk related matters.

Risk management, risk reporting, and control functions.

Risk management is central to Klarna's operating model and underpins all activities conducted throughout the organization. The purpose of risk management is to safeguard Klarna's long-term viability, mitigate volatility in financial performance, enhance operational resilience and performance, and facilitate informed decision-making.

Klarna's risk management governance model encourages a risk-aware culture combined with control structures which are monitored and enforced by independent control functions. Key controls are documented and assessed on a regular basis, with assessments considering both effectiveness of design and operation. The risk strategy is a natural extension of the business model that focuses on identification, assessment, management and monitoring of the material risks that Klarna is exposed to.

Risk Governance

Klarna operates a financial services industry standard three lines of defense model for risk management and control. The model allocates responsibilities of activities among teams or functions in three independent lines as outlined below:

Board and Executive Management Overall Responsibilities

Business Line Management	Risk Control, Compliance and Engineering Assurance	Internal Audit
"Risk ownership" **1st line of defence**	**"Control functions"** **2nd line of defence**	**"Risk assurance"** **3rd line of defence**
Owns risk and risk management activities. Performs necessary controls to secure acceptable risk exposure.	Establishes policies and framework, provides advice, facilitates risk assessment and independent control including reporting of adherence to risk appetites, limits and frameworks.	Tests, validates and assess efficiency in governance, risk management and internal control processes and activities.

The ultimate responsibility for risk management rests with the Board, which sets Klarna's risk appetite and policies establishing the principles for risk management. It also oversees and promotes a sound risk culture of risk awareness and understanding across the organization to encourage informed decision making. The Board is supported by the Audit, Compliance, and Risk Committee

(ACRC), Executive Credit and Fraud Committee (ECFC) and the Capital and Liquidity Committee (CLC) in performing their duties regarding risk management, including risk identification, measurement, monitoring and ensuring appropriate controls are in place.

The Executive Management, consisting of the CEO and the CXO team, is responsible for implementing the risk strategy. They are also accountable for the management of risks and within each of their areas of responsibility, and to promote a sound and effective risk culture across their teams and the Klarna as a whole.

Business Line Management, in the first line of defense, are responsible for the risks, and the management of these, within their respective area of responsibility. They are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.

The **second line of defense**, consisting of the functions Risk Control, Compliance, and Engineering Assurance, oversee risk. These functions set the principles and framework for risk management, facilitate and challenge risk assessments, perform independent control

testing, and report on adherence to risk appetites, limits and frameworks.

The control functions are independent of business line management. They attend and report to the Audit, Compliance and Risk Committee (ACRC) and the Board.

Internal Audit, in the third line of defense, provides risk assurance through independent periodic reviews of governance structures and control systems. This includes regular evaluation of Klarna's framework for risk management and a yearly review of the control functions in the second line of defense. Internal audit reports directly to the Board of directors.

Risk Strategy and Appetite

Klarna's risk strategy is set by the Board and outlines the nature of risks that the business is exposed to, its willingness to take these risks and how they are managed. It is formed through Klarna's business plan, established by Executive Management and approved by the Board; the Risk Policy, which forms the basis of Klarna's risk management framework; the Credit Policy which sets out Klarna's credit strategy; and the Internal Capital and Liquidity Adequacy Assessment Process.

The risk appetite framework outlined in the Risk Policy reflects Klarna's willingness to take and limit risk. The appetite is set by the Board and reviewed and updated regularly, at least on an annual basis. This annual review is an integral part of the annual business planning process, ensuring alignment of the business strategy, planned business activities and Klarna's risk exposures.

Klarna's risk appetite approach commences with an assessment of Klarna's risk capacity, the maximum level of risk Klarna is able to assume, and continues with the level of aggregate risk appetite that the Board is willing to accept. Limits are set on risk appetite metrics and reported on a monthly basis. Any limit breaches are escalated to the Board.

The Board and Executive Management also issue specific written policies and instructions for managing risks, which are complemented by detailed routine descriptions within the organization. The second line functions provide an independent assessment of Klarna's risk profile to Executive Management and the Board on at least a quarterly basis.

Risks

Klarna categorizes the key risks it is exposed to into six types. These categories are subsequently further refined and managed within the organization. These risk categories form the basis of how Klarna identifies, assesses, manages, and reports against risk.

Credit risk is defined as: ***the risk of loss due to a counterparty failing to meet its contractual obligations or concentrations of exposures.***

Credit is fundamental to Klarna's mission of providing consumers a smooth payment experience, better financial management and supporting partners' growth. It is a risk that Klarna takes to achieve its business objectives.

Klarna ensures that the consumer credit portfolio is resilient to volatile economic conditions by offering short duration credits and low average order value. Klarna limits the concentration of non-performing loans and large single exposures in the consumer credit portfolio. This, together with the dispersion of millions of customers across multiple countries and continents and low average order value, ensures that the consumer portfolio is diversified. Klarna takes precautions to ensure that approved consumers have the ability to pay their obligations.

Exposures and losses stemming from partners, payment and bank counterparties are managed by limiting single exposures based on the risk class of the counterparty as well as the aggregated exposure and concentration to different segments. Exposures to partners are managed using several mitigation tools to increase Klarna's collateral, such as payment delays, rolling reserves, insurances and withholding payments.

Klarna uses financial guarantees to provide protection for part of its portfolio of consumer exposures. The guarantee can reduce the regulatory capital the bank is required to hold for unexpected losses and the guarantee is fully funded with eligible collateral.

Market Risk is defined as: ***the risk of impacts on earnings or capital as a result of market price movements.***

Klarna does not actively take market risk but due to its multi-currency business and different duration of its assets and liabilities is exposed to it. Klarna's exposure to interest rate risk is via a mismatch of terms in assets and liabilities. The risk arises where Klarna's funding has a different duration than the credits granted to consumers. Klarna seeks to mitigate this risk by matching assets and liabilities to reduce the risk to economic value and earnings.

Currency risk is mitigated by entering into offsetting currency transactions in order to minimize the impact that changes in currency rates may have on Klarna's realized earnings.

Klarna does not invest in financial instruments other than for liquidity, interest rate and currency risk management purposes. From time to time Klarna makes strategic investments in other companies to accelerate innovation and/or expand and improve its product offering. Equity risk, the risk that the value of these investments may increase or decrease, is a natural consequence of this activity. The risk of losses arises due to the potential for adverse price changes of an investment. This exposure is limited through Board mandates.

Liquidity Risk is defined as: *the risk of being unable to meet financial obligations as they fall due, or unable to fund operational needs without incurring unacceptable costs.*

Klarna is dependent upon the effective management of liquidity risk to realize the company's strategy. The risk of insufficient funding being available would have implications on future growth, the company's ability to meet financial obligations, and in an extreme scenario, the breach of regulatory limits.

Klarna is primarily exposed to liquidity risk due to the potential for unexpected increased demand for credits. There is a risk that Klarna does not have a sufficient capacity to acquire additional funding at a reasonable cost, or does not have sufficient levels of liquid assets to convert to cash during such times. Klarna keeps sufficient levels of liquidity at hand at all times, ensuring that sufficient funds are available to support the business and that regulatory requirements are adhered to.

Klarna actively manages its liquidity risk exposure and sources of liquidity on a daily basis to ensure that Klarna always has the ability to fulfill its commitments as they fall due and meet regulatory requirements. Klarna invests in financial instruments for liquidity management purposes, and mostly in high credit quality sovereign and municipal government securities.

Operational Risk is defined as: *the risk of inadequate or failed processes, personnel, products or third parties.*

Operational risk is a natural consequence of Klarna's business model and operations. The continued delivery of Klarna's services to customers (partners and consumers) relies on resilience and stability in how processes, personnel, products and third parties are managed. To manage these inherent risks Klarna operates a robust operational risk management framework.

Klarna maintains an operational risk management framework as outlined in the Operational Risk Policy. This is supported by more detailed risk specific approaches. On an annual basis, business critical products and services are identified and a risk assessment completed, including review of internal controls and identification of any additional mitigation activities required. This includes maintaining a business continuity plan to ensure continuation of services during a business continuity event.

To sustain operational delivery, outside of business continuity, a mandatory Incident management process provides a structured approach for continuous learning and improvement through analysis of past incidents.

A driver of operational risk is non-controlled major change. Klarna operates a change management approval process (the NPA process) to ensure a sound understanding of the business change and capture associated risks. All major changes undergo a risk assessment led by the owner of the change to identify and assess the risks associated with the change, and to implement adequate controls and/or mitigation actions.

Klarna has no appetite for any activity that may result in facilitating financial crime. Such risks are managed through customer due diligence, the use of customer risk scoring models, automated transaction monitoring and screening solutions. There are financial crime experts across the first and second-lines of defense.

ICT and Security Risk is defined as: ***the risk of insufficient protection of information and information systems, from unauthorized access, use, disclosure, disruption, modification, or destruction, leading to loss of confidentiality, integrity or availability. The risk also includes the risk of external events including cyber-attacks*****.**

Klarna is subject to ICT and security risk as a consequence of its business and operational processes. This risk can occur in several ways that can impact on one or more of the confidentiality, integrity or availability of data and systems such as stemming from human actions, system or technology failures or processes not operating as expected as well as adjusting to the continuous changing of Cyber threat landscape.

Klarna uses many automated and standardized security measures in a layered approach to protect systems. To manage ICT and Security risks, Klarna maintains a specific ICT management framework. This includes regular IT security/vulnerability assessments and testing, ongoing system monitoring, software change management controls, strict access management controls and regular ICT and employee training, including security awareness training and exercises. Key ICT and Security risk controls are tested and measured at least annually through an independent assurance reporting audit as well as through the use of compliance as code.

Business Risk is defined as: ***the risk of suboptimal strategy selection or ESG factors impacting the achievement of Klarna's business objectives or altering the long term valuation or viability of the business.***

Klarna's strategy is delivered through its business plan, which enables an informed decision making process for assessing business risks. The business plan defines Klarna's objectives and the steps needed to reach those objectives and is designed to be resilient to changes in external economic and competitive conditions. Klarna aims for a sustainable strategy and business model and therefore expects to achieve the business plan with minimal variation.

As a part of the business planning cycle, Klarna assesses the up and down-side risks of the plan and assesses the impact of competitor and market conditions to test the plans achievability under different circumstances. The achievement of the business plan is then reviewed monthly by the executive with updates on key financial and business metrics. Where Klarna sees opportunities or risks, it adjusts approaches as appropriate to preserve achievement of the plan.

ESG risks are identified through a periodic materiality assessment to determine the key themes that could impact Klarna. [For 2023 these themes are Planet Health (Climate Change), Financial Wellness, and Diversity & Inclusion.] Action plans are developed to further manage the individual risks.

To deliver its sustainable, global growth strategy in an efficient way, Klarna starts small with lower risk products that it can quickly test, iterate and scale. Launches of new products or markets go through a structured assessment and decision making process to ensure risks have been captured.

More information on Klarna's approach to Environmental, Social and Governance, including ESG risks is included in Klarna's ESG report, published on Klarna's sustainability website https://www.klarna.com/international/sustainability/ and in the Risk Management in the Notes with Accounting Principles, Note 3.

Risk reporting

In the Risk Policy the Board has established how and when it shall receive information about Klarna's risks and risk management. The periodic, recurring risk reporting in Klarna provides reliable, current, complete, and timely information, reflecting the nature of different risk types as well as market developments. The Board, the ACRC, the CEO, and the CXOs, as well as other functions that require such information, receive regular reports on the status of risks and risk management to ensure they are aware of material risks and control weaknesses.

Internal Control and Financial Reporting

Klarna maintains risk management processes and internal controls relating to financial reporting which are designed to ensure accuracy of financial records, appropriate application of accounting policies and compliance with relevant regulations and provide management with accurate and timely financial reporting in order to accurately view the Group's performance and make informed decisions.

Internal Audit

Klarna's Internal Audit Function is independent of the business, directly reporting to the Board. The Board has adopted a Policy on Internal Audit.

The responsibility of Internal Audit is to provide reliable and objective assurance to the Board and the CEO regarding the effectiveness of controls, risk management, and governance processes by performing independent periodic reviews of the governance structure and the system of internal controls.

The Board has decided to outsource Klarna's Internal Audit Function to an external party and has appointed Deloitte as Internal Auditor. The Risk Control Function is the internal coordinator for the internal audit activities.

The Internal Audit Function reports regularly to the Board and ACRC the results of its audits, including identified risks and suggestions for improvements. Internal Audit also informs the CEO, the CXO team and the relevant departments on internal audit matters. The Board annually establishes a plan for the internal audit work.

External Audit

Klarna's external auditors are formally elected at the General Meeting on an annual basis in line with Swedish Company law. Ernst & Young AB was re-elected at the 2022 AGM as external auditor for the period up to the 2023 AGM.

The ACRC receives reports from the auditor, which include details of significant internal control matters that they have identified, and meets with the auditor on a regular basis.

The ACRC oversees appropriate procedures to maintain the independence of the external auditor, this includes Klarna's non-audit services policy which sets out those services that the auditor is permitted to provide and the requirements for pre-approval by ACRC in advance of provision of non-audit services.

Insider administration

Insider administration is organized according to the applicable EU and national level laws and regulations. The Board has approved Group-wide policies and instructions to provide clear instructions for employees to ensure inside information is identified and handled appropriately.

Insiders are identified on a case-by-case basis whenever inside information is detected and are subsequently registered in a related insider register and notified of their insider status. All identified insiders are then prohibited from dealing in the financial instrument(s) to which the inside information relates until that information is made public or otherwise no longer deemed to be inside information, and the insider register is closed.
As Klarna's shares are not admitted to trading on a regulated market, Klarna's obligations under the EU Market Abuse Regulation No 596/2014 (MAR) relate only to its corporate bonds listed on Nasdaq Stockholm. Klarna does not maintain a permanent insider register under EU Market Abuse Regulation No 596/2014 (MAR).

The responsibilities of Klarna's insider administration include evaluating whether information is inside information or not, training of and providing information to employees who are exposed to inside information to make sure that they are aware of the restrictions and obligations placed on insiders, setting up and maintaining insider registers as well as monitoring compliance with the insider rules. The rules are put in place to mitigate the risk of insider dealing and other forms of market abuse, and the overall responsibility for making sure that a high level of knowledge of and compliance with these rules is maintained lies with Klarna's Corporate, Governance and Litigation Team reporting to the Chief Financial Officer.

Group and Parent Company Financials

Five Year Summary, Group

Amounts in SEKm	2022	2021	2020	2019	2018
Income statement					
Total net operating income	16,571	13,754	10,000	7,155	5,451
Operating result	−10,231	−6,581	−1,629	−1,089	161
Net result for the year	−10,204	−7,093	−1,376	−902	105
Balance sheet					
Loans to credit institutions	3,783	4,990	2,614	1,907	2,368
Loans to the public	74,151	62,087	41,718	29,655	19,979
All other assets	46,364	38,449	17,463	8,306	5,513
Total assets	**124,298**	**105,526**	**61,795**	**39,868**	**27,860**
Liabilities to credit institutions	2,829	713	2,415	4,940	1,418
Deposits from the public	81,068	59,670	30,835	12,288	14,582
All other liabilities	28,178	26,697	22,221	17,345	7,718
Total equity	12,223	18,446	6,324	5,295	4,142
Total liabilities and equity	**124,298**	**105,526**	**61,795**	**39,868**	**27,860**
Key ratios and figures[1]					
Return on equity	−66.7%	−53.1%	−28.0%	−23.1%	3.9%
Return on assets	−8.9%	−8.5%	−2.7%	−2.7%	0.4%
Debt/equity ratio	6.5	5.8	7.7	6.2	4.7
Equity/assets ratio	9.8%	17.5%	10.2%	13.3%	14.9%
Own funds (Total capital)[2]	15,548	19,855	13,530	8,448	3,424
Capital requirement[2]	5,487	4,947	3,391	2,116	1,821
Total capital ratio[2]	22.7%	32.1%	31.9%	31.9%	15.0%
Average number of full-time equivalents[3]	6,002	4,789	3,238	2,248	1,713

[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 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.

[3] Number of employees (headcounts) as at December 31, 2022 amounted to 5,441 (5,783).

Five Year Summary, Parent Company

Amounts in SEKm	2022	2021	2020	2019	2018
Income statement					
Total net operating income	11,240	10,487	8,421	6,220	4,754
Operating result	-8,888	-5,579	-1,374	-1,077	100
Net result for the year	-8,876	-6,046	-1,174	-738	142
Balance sheet					
Loans to credit institutions	991	1,965	1,723	1,192	1,962
Loans to the public	76,641	64,366	38,025	28,536	19,851
All other assets	46,650	38,189	22,522	8,909	5,290
Total assets	**124,282**	**104,520**	**62,270**	**38,637**	**27,103**
Liabilities to credit institutions	2,829	712	2,386	4,940	1,418
Deposits from the public	80,760	59,409	30,682	12,252	14,557
All other liabilities	26,783	25,207	22,747	16,410	7,376
Total equity	13,910	19,192	6,455	5,035	3,752
Total liabilities and equity	**124,282**	**104,520**	**62,270**	**38,637**	**27,103**
Key ratios and figures[1]					
Return on equity	-53.7%	-43.5%	-23.9%	-20.8%	2.8%
Return on assets	-7.8%	-7.3%	-2.3%	-2.2%	0.6%
Debt/equity ratio	5.9	5.5	7.8	6.4	4.9
Equity/assets ratio	11.2%	18.4%	10.4%	13.0%	14.3%
Own funds (Total capital)	13,191	19,722	7,278	5,419	4,175
Capital requirement	6,405	5,572	3,830	2,304	1,945
Total capital ratio	16.5%	28.3%	15.2%	18.8%	17.2%
Average number of full-time equivalents[2]	4,403	3,777	2,672	1,493	1,089

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

[2] Number of employees (headcounts) as at December 31, 2022 amounted to 3,876 (4,431).

Income Statement, Group

Amounts in SEKm	Note	2022	2021
Interest income	5	4,422	4,040
Interest expenses	6, 7	-1,162	-822
Net interest income		**3,260**	**3,218**
Commission income	8	13,422	11,254
Commission expenses	9	-724	-710
Net result from financial transactions	10	-1,026	-671
Other operating income		1,639	663
Total net operating income		**16,571**	**13,754**
General administrative expenses	7, 11, 12	-19,581	-15,033
Depreciation, amortization and impairment of intangible and tangible assets	7, 13	-1,504	-655
Total operating expenses before credit losses		**-21,085**	**-15,688**
Operating result before credit losses, net		**-4,514**	**-1,934**
Credit losses, net	14	-5,717	-4,647
Operating result		**-10,231**	**-6,581**
Income tax	15	27	-512
Net result for the year		**-10,204**	**-7,093**
Whereof attributable to:			
Shareholders of Klarna Bank AB (publ)		-10,230	-7,107
Additional Tier 1 capital holders		26	14
Total		**-10,204**	**-7,093**

Statement of Comprehensive Income, Group

Amounts in SEKm	2022	2021
Net result for the year	**-10,204**	**-7,093**
Items that may be reclassified subsequently to the income statement:		
Exchange differences, foreign operations	183	129
Other comprehensive income for the year, net of tax	**183**	**129**
Total comprehensive income for the year	**-10,021**	**-6,964**
Whereof attributable to:		
Shareholders of Klarna Bank AB (publ)	-10,047	-6,978
Additional Tier 1 capital holders	26	14
Total	**-10,021**	**-6,964**

Balance Sheet, Group

Amounts in SEKm	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and balances with central banks		16,085	15,811
Treasury bills chargeable at central banks, etc.	18	10,713	9,744
Loans to credit institutions	19	3,783	4,990
Loans to the public	20	74,151	62,087
Bonds and other interest-bearing securities	21	864	1,133
Other shares and participations		338	792
Intangible assets	23	11,644	5,410
Tangible assets	7, 24	2,044	1,915
Deferred tax assets	15	395	317
Other assets	25, 26	3,216	2,367
Prepaid expenses and accrued income	27	1,065	960
Total assets		**124,298**	**105,526**
Liabilities			
Liabilities to credit institutions	28	2,829	713
Deposits from the public	29	81,068	59,670
Debt securities issued	30	1,676	9,123
Deferred tax liabilities	15	912	183
Other liabilities	7, 26, 31	22,527	14,355
Accrued expenses and prepaid income	32	2,648	2,669
Provisions	33	112	66
Subordinated liabilities	34	303	301
Total liabilities		**112,075**	**87,080**
Equity			
Share capital		69	65
Other capital contributed		29,980	26,301
Reserves		422	239
Additional Tier 1 instruments		276	250
Retained earnings		−8,320	−1,316
Net result for the year		−10,204	−7,093
Total equity		**12,223**	**18,446**
Total liabilities and equity		**124,298**	**105,526**

Statement of Changes in Equity, Group

Amounts in SEKm	Share capital	Other capital contributed	Reserves[2]	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2022	65	26,301	239	250	−1,316	−7,093	18,446
Transfer of previous year's net result	-	-	-	-	−7,093	7,093	-
Net result for the year	-	-	-	-	-	*−10,204*	*−10,204*
Other comprehensive income, net of tax	-	-	*183*	-	-	-	*183*
Total comprehensive income for the year	-	-	*183*	-	-	*−10,204*	*−10,021*
New share issue	4	1,679	-	-	-	-	1,683
Shareholders' contribution	-	2,000	-	-	-	-	2,000
Restricted stock units	-	-	-	-	121	-	121
Tax effect on Restricted stock units	-	-	-	-	−6	-	−6
Additional Tier 1 instruments[1]	-	-	-	276	−26	-	250
Redeemed Additional Tier 1 instruments	-	-	-	−250	-	-	−250
Balance as at December 31, 2022	69	29,980	422	276	−8,320	−10,204	12,223

Amounts in SEKm	Share capital	Other capital contributed	Reserves[2]	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2021	53	7,305	110	250	−18	−1,376	6,324
Transfer of previous year's net result	-	-	-	-	−1,376	1,376	-
Net result for the year	-	-	-	-	-	*−7,093*	*−7,093*
Other comprehensive income, net of tax	-	-	*129*	-	-	-	*129*
Total comprehensive income for the year	-	-	*129*	-	-	*−7,093*	*−6,964*
New share issue	12	18,996	-	-	-	-	19,008
Restricted stock units	-	-	-	-	86	-	86
Tax effect on Restricted stock units	-	-	-	-	6	-	6
Additional Tier 1 instruments[1]	-	-	-	-	−14	-	−14
Balance as at December 31, 2021	65	26,301	239	250	−1,316	−7,093	18,446

[1] Amounts in Additional Tier 1 instruments column consist of issued instruments, while amounts in Retained earnings column consist of interest on and cost of issuance of these issued instruments.

[2] The 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.

Income Statement, Parent Company

Amounts in SEKm	Note	2022	2021
Interest income	4, 5	4,780	4,150
Interest expenses	6, 7	−1,163	−845
Net interest income		**3,617**	**3,305**
Group contribution	4	-	125
Commission income	4, 8	8,838	8,135
Commission expenses	9	−2,668	−2,151
Net result from financial transactions	4, 10	−787	−649
Other operating income	4	2,240	1,722
Total net operating income		**11,240**	**10,487**
General administrative expenses	7, 11, 12	−13,644	−11,103
Depreciation, amortization and impairment of intangible and tangible assets	7, 13	−1,154	−620
Other operating costs		−1,228	−1,443
Total operating expenses before credit losses		**−16,026**	**−13,166**
Operating result before credit losses, net		**−4,786**	**−2,679**
Credit losses, net	14	−3,787	−2,900
Impairment of financial assets		−315	-
Operating result		**−8,888**	**−5,579**
Appropriations		2	-
Income tax	15	10	−467
Net result for the year		**−8,876**	**−6,046**

Statement of Comprehensive Income, Parent Company

Amounts in SEKm	2022	2021
Net result for the year	**−8,876**	**−6,046**
Items that may be reclassified subsequently to the income statement:		
Exchange differences, foreign operations	−164	−4
Other comprehensive income for the year, net of tax	**−164**	**−4**
Total comprehensive income for the year	**−9,040**	**−6,050**

Balance Sheet, Parent Company

Amounts in SEKm	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and balances with central banks		16,085	15,811
Treasury bills chargeable at central banks, etc.	18	10,713	9,744
Loans to credit institutions	19	991	1,965
Loans to the public	20	76,641	64,366
Bonds and other interest-bearing securities	21	864	1,133
Shares and participations in group companies	22	10,942	6,048
Other shares and participations		338	792
Intangible assets	23	2,993	1,492
Tangible assets	7, 24	1,738	1,656
Deferred tax assets	15	61	44
Other assets	25, 26	2,178	1,062
Prepaid expenses and accrued income	27	738	407
Total assets		**124,282**	**104,520**
Liabilities			
Liabilities to credit institutions	28	2,829	712
Deposits from the public	29	80,760	59,409
Debt securities issued	30	1,137	8,797
Deferred tax liabilities	15	86	65
Other liabilities	7, 26, 31	23,003	13,797
Accrued expenses and prepaid income	32	2,148	2,180
Provisions	33	106	65
Subordinated liabilities	34	303	301
Total liabilities		**110,372**	**85,326**
Untaxed reserves	35	-	**2**
Equity			
Share capital		69	65
Reserve for development costs		1,475	1,057
Other reserves		−172	−8
Additional Tier 1 instruments		276	250
Retained earnings		21,138	23,874
Net result for the year		−8,876	−6,046
Total equity		**13,910**	**19,192**
Total liabilities and equity		**124,282**	**104,520**

Statement of Changes in Equity, Parent Company

	Restricted equity		Non-restricted equity				
Amounts in SEKm	**Share capital**	**Reserve for development costs**	**Other reserves**	**Additional Tier 1 instruments**	**Retained earnings**	**Net result**	**Total equity**
Balance as at January 1, 2022	**65**	**1,057**	**–8**	**250**	**23,874**	**–6,046**	**19,192**
Transfer of previous year's net result	-	-	-	-	–6,046	6,046	-
Net result for the year	-	-	-	-	-	*–8,876*	***–8,876***
Other comprehensive income, net of tax	-	-	*–164*	-	-	-	***–164***
Total comprehensive income for the year	-	-	***–164***	-	-	***–8,876***	***–9,040***
New share issue	4	-	-	-	1,679	-	**1,683**
Shareholders' contribution	-	-	-	-	2,000	-	**2,000**
Reserve for development costs	-	418	-	-	–418	-	-
Restricted stock units	-	-	-	-	81	-	**81**
Tax effect on Restricted stock units	-	-	-	-	–6	-	**–6**
Additional Tier 1 instruments[1]	-	-	-	276	–26	-	**250**
Redeemed additional Tier 1 instruments	-	-	-	–250	-	-	**–250**
Balance as at December 31, 2022	**69**	**1,475**	**–172**	**276**	**21,138**	**–8,876**	**13,910**

	Restricted equity		Non-restricted equity				
Amounts in SEKm	**Share capital**	**Reserve for development costs**	**Other reserves**	**Additional Tier 1 instruments**	**Retained earnings**	**Net result**	**Total equity**
Balance as at January 1, 2021	**53**	**650**	**–4**	**250**	**6,679**	**–1,174**	**6,454**
Transfer of previous year's net result	-	-	-	-	–1,174	1,174	-
Net result for the year	-	-	-	-	-	*–6,046*	***–6,046***
Other comprehensive income, net of tax	-	-	*–4*	-	-	-	***–4***
Total comprehensive income for the year	-	-	***–4***	-	-	***–6,046***	***–6,050***
New share issue	12	-	-	-	18,996	-	**19,008**
Reserve for development costs	-	407	-	-	–407	-	-
Merger result[2]	-	-	-	-	–269	-	**–269**
Restricted stock units	-	-	-	-	58	-	**58**
Tax effect on Restricted stock units	-	-	-	-	5	-	**5**
Additional Tier 1 instruments[1]	-	-	-	-	–14	-	**–14**
Balance as at December 31, 2021	**65**	**1,057**	**–8**	**250**	**23,874**	**–6,046**	**19,192**

[1] Amounts in Additional Tier 1 instruments column consist of issued instruments, while amounts in Retained earnings column 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: 204,683,709 shares (194,432,000)[1], quota value 0.336 (0.336).

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

Cash Flow Statement

Amounts in SEKm	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Operating activities					
Operating result		−10,231	−6,581	−8,888	−5,579
Income taxes paid		−214	−193	−73	−4
Adjustments for items in operating activities					
Depreciation, amortization and impairment	7, 13	1,504	655	1,154	620
Impairment of shares in group companies		-	-	313	-
Provisions excluding credit losses		19	4	9	-
Provision for credit losses		148	1,327	417	860
Result from merger		-	-	-	−3
Share-based payments		311	206	95	59
Financial items including unrealized exchange rate effects		688	601	444	577
Changes in the assets and liabilities of operating activities					
Change in loans to the public		−10,899	−21,050	−12,545	−17,490
Change in liabilities to credit institutions		1,828	−1,706	2,116	−1,676
Change in deposits from the public		20,832	28,812	20,827	28,670
Change in other assets and liabilities		6,399	−8,963	7,566	−12,895
Cash flow from operating activities[1]		**10,385**	**−6,888**	**11,435**	**−6,861**
Investing activities					
Investments in intangible assets	23	−949	−643	−888	−660
Investments in tangible assets	24	−119	−245	−87	−221
Investments in subsidiaries	22	-	-	−75	−938
Investments in business combinations	44	−3,515	−2,724	−3,745	−2,805
Investments in other shares and participations		-	−1,320	-	−1,320
Cash flow from investing activities		**−4,583**	**−4,932**	**−4,795**	**−5,944**
Financing activities					
New share issue		320	19,007	320	19,007
Issued Additional Tier 1 instruments		276	-	276	-
Redeemed Additional Tier 1 instruments		−250	-	−250	-
Debt securities, net	30	−7,478	4,912	−7,664	4,781
Subordinated liabilities, net	34	-	−301	-	−301
Payment of principal portion of lease contracts	7	−350	−253	−258	−201
Cash flow from financing activities		**−7,482**	**23,365**	**−7,576**	**23,286**
Cash flow for the year		**−1,680**	**11,545**	**−936**	**10,481**
Cash and cash equivalents at the beginning of the year		**18,702**	**6,914**	**17,068**	**6,036**
Cash flow for the year		−1,680	11,545	−936	10,481
Cash and cash equivalents from merger		-	-	-	369
Exchange rate diff. in cash and cash equivalents		702	243	567	182
Cash and cash equivalents at the end of the year		**17,724**	**18,702**	**16,699**	**17,068**
Cash and cash equivalents include the following items					
Cash and balances with central banks		16,085	15,811	16,085	15,811
Loans to credit institutions[2]		1,639	2,891	614	1,257
Cash and cash equivalents		**17,724**	**18,702**	**16,699**	**17,068**
Additional liquidity portfolio[3]		11,577	10,877	11,577	10,877
Total cash and liquidity[3]		**29,301**	**29,579**	**28,276**	**27,945**

[1] Cash flow from operating activities includes interest payments received and interest expenses paid, see note 40.
[2] Adjusted for non-cash items.
[3] See "Definitions and Abbreviations" for definitions of how the alternative performance measures are calculated.

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 year. In addition to cash and cash equivalents of SEK 17.7bn at the end of the year, Klarna holds SEK 11.6bn of additional liquidity portfolio.

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 statements for 2022 consist of the Parent Company (including branches) and its subsidiaries, which together make up the Group. The Group's business is described in the Report of the Board of Directors.

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.

In accordance with the Annual Accounts Act chapter 6, 11§, Klarna Bank AB (publ) does not prepare a statutory sustainability report since an Environmental, Social and Governance report (ESG) that meets the legal reporting requirements is prepared by the Parent Company Klarna Holding AB (publ). Klarna Holding AB (publ) publishes the ESG report separated from the annual report. The ESG report has been submitted to the auditors at the same time as the annual report. The ESG report is available at Klarna's website: www.klarna.com

The consolidated financial statements and the Annual Report for Klarna Bank AB (publ) for the financial year 2022 were approved by the Board of Directors and the Chief Executive Officer (CEO) on February 24, 2023. They will ultimately be adopted by Klarna Bank AB (publ)'s Annual General Meeting.

Note 2 Accounting principles

1) Basis for the preparation of the reports

Group

These annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) such as they have been adopted by the EU. In addition to these accounting standards, the Swedish Financial Supervisory Authority regulations (FFFS 2008:25), the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559) and the recommendation RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board have also been applied.

Parent Company

The Parent Company's annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559). Klarna Bank AB (publ) applies legally restricted IFRS, which means that the annual accounts have been prepared in accordance with IFRS with the additions and exceptions ensuing from the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities, and the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts for credit institutions and securities companies (FFFS 2008:25). The Group's accounting principles are also applicable for the Parent Company unless otherwise described in this note.

The preparation of reports in accordance with IFRS requires the use of a number of estimates for accounting purposes. The areas which involve a high degree of assessment or complexity and which are of considerable importance for the annual accounts are presented in section 26.

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

2) Changed accounting principles

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

New and changed standards and interpretations which have not yet come into effect and which have not been early adopted by the Group:

1) Amendments to IAS 16 Property, Plant and Equipment for proceeds before intended use
2) Amendments to IAS 37 for the Costs of fulfilling a contract related to onerous contracts
3) Amendments to references to the conceptual framework in IFRS standards
4) Amendments to IAS 1 in the classification of liabilities as current or non-current

None of the changes in IFRS or IFRIC interpretations that have not yet come into effect are expected to have significant impact on the Group.

3) Group consolidation principles

The consolidated accounts are presented according to the acquisition method and comprise of Klarna Bank AB (publ) and its subsidiaries. The companies are consolidated as from the date when control is transferred to Klarna and consolidation comes to an end when Klarna no longer has control. Intragroup transactions and receivables and liabilities between group companies are eliminated.

Subsidiaries

Subsidiaries are those companies that Klarna Bank AB (publ) controls. Control exists when Klarna is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. This is usually achieved when the ownership amounts to more than half of the voting rights.

The financial statements of subsidiaries are reported in the consolidated financial statements as of the acquisition date and until the time when a controlling interest no longer exists.

Business combinations

In connection with a business combination, the Group's acquisition cost is established through a purchase price allocation. In the analysis, the fair value of the identifiable assets and the assumed liabilities is determined.

The cost of the business combinations comprises considerations transferred by Klarna to the previous shareholders, the liabilities incurred by Klarna to former owners of the acquiree and the equity interests issued by Klarna, as payment for the net assets in the entity. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognized as goodwill in the Group's balance sheet. Acquisition-related costs are recognized in the income statement when they arise. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date.

The purchase price allocation identifies assets and liabilities that are not reported in the acquired company, such as trademarks and customer contracts. Identified intangible assets that have been identified when making the purchase price allocation are amortized over the estimated useful life. Goodwill is considered to have an indefinite useful life and is therefore tested annually for impairment, or whenever there is any indication of impairment. Consideration that is contingent upon the outcome of future events is valued at fair value and the change in value is recognized in the income statement.

4) Foreign currency translation

Presentation currency and functional currency

The financial statements are prepared in Swedish kronor, which is the presentation currency of the Group. The functional currency is the currency of the primary economic environment in which an entity operates. Different entities within the Group therefore have different functional currencies. The functional currency for Klarna Bank AB (publ) is Swedish kronor.

Transactions and balance sheet items

Transactions in a foreign currency are translated into the functional currency at the exchange rate on the day of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate at the end of the reporting period. All profits and losses as a result of the currency translation of monetary items, including the currency component in forward agreements, are reported in the income statement as exchange rate fluctuations under the heading Net result from financial transactions.

Subsidiaries and branches

Foreign subsidiaries' and branches' assets and liabilities are translated at the closing day rate of exchange and income statement items at the average exchange rate. Translation differences are reported in Other comprehensive income.

5) Interest and commissions

Revenues are recognized in accordance with the effective interest method or when identified performance obligations have been fulfilled. The Group's revenues and expenses are reported after elimination of intragroup transactions. The product offerings from which revenues are recognized do not differ in any significant way between geographical markets.

Interest income and interest expenses

Interest on financial assets and liabilities measured at amortized cost are recognized in profit or loss using the effective interest method. When measuring a financial asset or a financial liability at amortized cost, the interest income or expense is allocated over the relevant period. The effective interest rate is the rate that corresponds to the rate used for discounting contractual cash flows to the reported value of the financial asset or liability. The contractual cash flows used in the calculation include all fees that are considered to be integral to the effective interest rate.

Interest income calculated according to the effective interest rate method consists mainly of interest from loans to the public in the form of revolving credits and interest from lending to credit institutions.

Fees related to debt securities issued, deposits from the public, subordinated liabilities and liabilities to credit institutions are recognized as interest expenses.

Commission income and commission expenses

Revenues and expenses for different types of services are reported as commission income or commission expenses. Commission income mainly stems from retailers that have an agreement with Klarna and different types of fees related to end-customer receivables.

Commission income from retailers

Klarna provides retailers with a combined service offering (1) a payment solution while at the same time (2) providing consumers with credit products and catering for credit risk. Since these two types of services are highly interrelated, this service package epitomizes one identified and distinct performance obligation. This performance obligation presents a stand-ready obligation which is satisfied over the contract period since the retailer receives the benefit of that service package over that period.

The transaction price of that performance obligation consists of both fixed and variable components. The variable parts are constrained since they are highly dependent on consumer transactions and are therefore not included in the initial transaction price. The transaction price is updated to mirror the dissolving uncertainty occurring in the performance obligation due to the variable components.

The process of completion is measured by evaluating the value to the customer of the provided service transferred to date relative to the remaining services promised under the contract. Since the amount of transactions and usage of the payment solution for the entire contract period is initially unknown, the process of completion is measured by using time elapsed.

Commission income from consumers
Klarna provides consumers with online purchases and the possibility to choose when in time to pay. Commission income from consumers is fixed amounts which arise from servicing different types of payment options; this constitutes the transaction price. The respective performance obligation is satisfied at the date when the account statements or paper invoices are issued. The revenue from the consumer commissions is therefore recognized at that point in time.

Commission and fees for extending credit are considered to be an integral part of the effective interest rate and are therefore recognized in interest income.

6) Net result from financial transactions

The net result from financial transactions comprises the net profit or loss on the trading or disposal of financial instruments, value changes of financial instruments that are measured at fair value through profit or loss, net profit or loss on currency exchange activities or other recognized changes in the value of assets or liabilities, to the extent they can be attributed to exchange rate changes and other financial income and expenses not directly attributable to a financial instrument.

7) General administrative expenses

General administrative expenses mainly consist of employee expenses, including salaries, pensions, social charges, and other administrative expenses such as office and computer expenses.

8) Credit losses, net

Impairment losses from financial assets classified into the category “measured at amortized cost” (see section “Financial assets and liabilities – classification and recognition” below) are reported as Credit losses, net. Furthermore, credit losses, net, from off-balance sheet exposures related to financial instruments are also reported on this line.

Credit losses, net, for the period consist of realized credit losses, recovered amounts from debt sales and provisions for credit losses for granted credit with a deduction for the reversal of provisions for credit losses made previously. Realized credit losses are losses whose amount is for example determined via bankruptcy, a composition arrangement, a statement by an enforcement authority or the sale of receivables. Provision for credit losses is calculated either as 12 months expected credit loss or lifetime expected credit loss based on the IFRS 9 impairment requirements, see section “Impairment of financial assets, financial guarantees and commitments” below for more details.

9) Cash and balances with central banks

Cash comprises legal tender and bank notes in local and foreign currencies. Balances with central banks consist of deposits in accounts with central banks under government authority where the following conditions are fulfilled:

(i) The central bank is domiciled, and

(ii) The balance is readily available at any time

10) Financial assets and liabilities – classification and recognition

Purchases and sales of financial assets and liabilities are recognized on the trade date. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred together with the risks and rewards associated with ownership. Financial liabilities are derecognized when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively.

Financial instruments are initially recognized at fair value including transaction costs except for financial assets and liabilities classified as fair value through profit or loss where the transaction costs are recognized in the income statement.

Financial assets are classified into various categories based on both Klarna's business model to manage its financial assets and the characteristics of the cash flows of the financial assets. Financial instruments are classified into the following categories:

Financial assets and liabilities at amortized cost

Klarna classifies and measures its financial assets at amortized cost if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Klarna measures all financial liabilities at amortized cost, except for those that are mandatorily held at fair value through profit and loss.

The amortized costs are determined on the basis of the effective interest that was calculated at the time of acquisition or origination. Financial assets at amortized cost are recognized at discounted contractual cashflow after a deduction for impairments. Where a financial asset or liability carried at amortized cost is in a qualifying fair value hedge relationship, its carrying value is adjusted for changes in fair value attributable to the hedged risk.

Financial assets and liabilities at fair value through profit or loss

This category has two subcategories:

(i) *Mandatory:* This category includes any financial asset that is not measured at amortized cost, thus does not fulfill one or both of the conditions to be met for a financial asset to be measured at amortized cost.

(ii) *Designated*: This category includes any financial asset or liability that is designated on initial recognition as one to be measured at fair value with fair value changes recognized in profit or loss.

Measurement is at fair value and realized and unrealized profits or losses as a result of changes in fair value are included in the income statement in the period in which they arise. The fair value of financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Klarna uses different methods to determine the fair value, see section “Financial assets and liabilities – fair value measurement” below.

Klarna measures its derivatives as well as its investments in equity instruments and certain financial liabilities at fair value through profit or loss. These do not fulfill the conditions for being measured at amortized cost. In case Klarna’s derivatives have negative values, these financial liabilities are measured at fair value through profit or loss.

Financial assets at fair value through other comprehensive income
Klarna does not classify any financial assets at fair value through other comprehensive income since Klarna has no business model whose objective it is to both collect contractual cash flows and to sell financial assets. Klarna does not use the option to designate its equity instruments as measured at fair value through other comprehensive income.

Klarna has not reclassified its financial assets subsequent to their initial recognition during the year. Financial liabilities are never reclassified.

11) Financial assets and liabilities - fair value 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 measured using unadjusted quoted prices in active markets. This category includes certain 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 markets. The fair values are calculated using valuation techniques based on market prices or rates prevailing at the balance sheet date. This is for example the case for derivatives within other assets and other liabilities where active markets supply the input to the valuation.

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 certain items within other shares and participations and for certain items in debt securities in issue and loans to the public.

12) Impairment of financial assets, financial guarantees and commitments

Klarna is recording allowances for expected credit losses (ECL) for all loans and other financial assets not measured at fair value through profit or loss. Klarna calculates allowances for:

(i) Loans to the public
(ii) Loans to credit institutions
(iii) Financial guarantees and commitments

Treasury bills chargeable at central banks, bonds and other interest-bearing securities have been evaluated for impairment. The expected credit losses have been assessed as immaterial due to the features of the assets. This is also applicable for the majority of the loans to credit institutions which have strong credit ratings and are highly liquid.

The ECL allowance is based on either the 12 months' expected credit loss (12m ECL) or on the lifetime expected credit loss (lifetime ECL). The ECL allowance is based on the latter if there has been a significant increase in credit risk since initial recognition.

Lifetime ECL and 12m ECL are calculated on a collective basis. When calculating ECL on a collective basis, the ECL components are calculated based on segmentation which is built on shared risk characteristics. The probability of default (PD) component is segmented by geographical region, instrument type and by days since origination.

The loss given default (LGD) component is dependent on geographical region, retailer type, days past due, and, in some cases, recoveries from the sale of non-performing portfolios. These PD and LGD estimates are obtained for each of the segment permutations, which is used to calculate the ECL on a collective basis. Since collateral is not held as security, it is not part of the ECL calculations.

Klarna groups its financial assets and off-balance sheet items within the scope of the IFRS 9 impairment requirements into the following:

Stage 1:
Klarna allocates financial assets to stage 1 at initial recognition and until there is a significant increase in credit risk. The allowance is calculated based on 12m expected credit losses. Stage 1 also includes loans where the credit risk has improved and that were reclassified from stage 2 and 3.

Stage 2:
When a loan has shown a significant increase in credit risk since initial recognition, Klarna allocates it to stage 2. The allowance for these loans is calculated based on lifetime expected credit losses. Stage 2 also includes loans that are reclassified from stage 3 because they are no longer considered credit impaired.

Stage 3:
Klarna allocates loans to stage 3 that are considered "credit impaired". Klarna determines whether a financial asset is credit impaired based on the historical payments received from the consumer. Based on the default definition (see definition below) a financial instrument is considered being "credit impaired" if it is 90 days past due, has entered debt collection or is classified as fraudulent. The allowance for these stage 3 loans is calculated based on lifetime expected credit losses.

POCI:
Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are not allocated to the 3-stage impairment model and are recognized at their fair value at initial recognition. At initial recognition, lifetime expected credit losses are considered as part of the gross carrying amount. Lifetime expected credit losses allowance is recognized at origination and subsequent increases and decreases in estimated cash flows are captured through impairment gains and impairment loss subsequently.

Significant increase in credit risk:
Klarna assesses, at the end of each reporting period, whether the credit risk of a financial instrument has increased significantly since initial recognition in order to determine whether 12m ECL or lifetime ECL shall apply. Klarna determines whether there has been a significant increase in risk on its credit products based on the cash received by the consumer. The definition of a significant increase in credit risk is further influenced by other factors that depend on the product type like days past due or whether the consumer has other contracts with Klarna that are already in stage 2 or 3. Days past due is the key determinant of significant increase in credit risk and is assessed by market and product.

If, at the reporting date, it is determined that there is no longer a significant increase in credit risk compared to prior periods, Klarna transfers the respective financial assets back into stage 1 and the allowance is reduced to an ECL calculated on a 12 month basis.

Definition of default:

Financial assets are defaulted when the asset has been 90 days or more past due without any payments, has entered debt collection or is classified as fraudulent.

Measurement of ECL:

The expected credit loss (ECL) for consumer receivables is calculated as a product of the key inputs PD, LGD and the outstanding balance discounted with the effective interest rate (EIR). These parameters are derived from internal statistics and other historical data. For quantitative information on the reported ECL amounts see note 20 Loans to the public.

Probability of Default (PD):

The historical balances as well as the proportion of those balances that default over time are used as a base to determine the PD. This approach is applied over different vintages for different countries and for days since origination. Hence, this methodology provides values for 12 month and lifetime PDs for different countries and days since origination. In cases where the maturity of the financial assets is very short, which is common for Klarna's products, the 12 months PD and lifetime PD have equal values.

Loss Given Default (LGD):

LGD is the magnitude of the likely loss if there is a default. The loss given default is calculated using the historical balances over different vintages as a base. Furthermore, the LGD component is determined based on days past due. The recovery rate used in the LGD calculation is determined using the amount recovered from debt sales.

Effective Interest Rate (EIR):

The effective interest rate is determined based on the product type. It discounts the estimated future cash payments through the expected life of the financial instrument to net present value. Calculating the effective interest rate, all contractual terms of the financial instrument as well as all corresponding fees are considered. For products that do charge interest or fees that are to be included in the effective interest rate, the EIR is approximated as a yearly interest rate. This product specific EIR is then used to discount the outstanding balance which represents the expected exposure in the event of default.

Macroeconomic model:

The loss rates of consumer receivables are not significantly affected by macroeconomic factors due to the unique design and short maturities of the credit products. Furthermore, the underwriting process is built on point in time assessments of transactions where the current state of the consumer is regularly assessed. A macroeconomic model is used for consumer receivables with longer maturity even though the correlations between Klarna default rates and macroeconomic variables are low.

Financial guarantees and commitments:

For financial guarantees and commitments, the measurement of ECL follows mainly the same methodology as for consumer receivables but further includes a credit conversion factor (CCF) in the calculation of the exposure at default (EAD). The CCF in the IFRS 9 model is the proportion of the undrawn credit limit that is utilized leading up to a default event. The CCF is calculated based on historically observed utilization rates.

Write-off of financial assets:

Financial assets that have no expectation of recovering either the entire outstanding amount or a proportion thereof are written off. Hence, the gross carrying amount of the financial asset is reduced and the amount of the loss is recognized in the income statement as Credit losses, net. Financial assets are generally written off when it is determined that the outstanding debt cannot be collected anymore as the borrower does not have assets or sources of income that could be used to repay the amounts subject to write-offs. To determine whether the outstanding debt cannot be collected anymore, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in principal payments. Financial assets that are written off could still be subject to enforcement activities in order to attempt to recover the receivables due. For information on the written-off loans subject to enforcement activities, see note 20 Loans to the public.

When it is considered that there is no realistic prospect of recovery or when the loan or receivable is sold to an external party, the financial asset and the related allowance are removed from the balance sheet.

Modifications:
In case a financial asset faces a substantial contractual modification, the previous asset is derecognized and a new asset is recognized. If the modified financial asset fulfills the definition of “credit impaired”, the requirements for purchased or originated credit impaired assets for the recognition of the new asset are applied. If a financial asset faces a non-substantial contractual modification the financial asset is not derecognized and it is assessed if there occurred a significant increase in credit risk since initial recognition.

Simplified approach:
The simplified approach is used when calculating expected credit losses on retailer receivables. Hence, the loss allowance for retailer receivables is always measured at an amount equal to lifetime expected credit losses. The risk that the retailer would default is regularly analyzed and based on quantitative as well as qualitative factors.

13) Repurchase agreements

Treasury bills and other interest-bearing securities sold under agreements to repurchase at a specified future date are not derecognized from the balance sheet as Klarna retains substantially all of the risks and rewards of ownership. Assets under repurchase agreements are transferred to the counterpart and the counterpart has the right to sell or re-pledge the assets. Such securities are kept on the balance sheet and pledged as collateral when the securities have been transferred and cash consideration has been received. Payment received is recognized under liabilities to credit institutions. The difference between the sale and repurchase price is accrued over the life of the agreement using the effective interest rate.

14) Offsetting financial transactions

Financial assets and liabilities are subject to offset and the net amount reported in the balance sheet when there is a legal right to settle on a net basis and an intention to settle net or realize the asset and settle the liability simultaneously.

Financial assets and liabilities from repurchase agreements are subject to netting agreements but, since transferred asset continues to be recognized, the asset and the associated liability have not been offset.

15) Derivative instruments and hedge accounting

Derivative instruments are reported in the balance sheet on their trade date and are measured at fair value, both initially and in subsequent periods. Derivative instruments are classified as other assets or other liabilities. Changes in the fair value of derivative instruments are reported immediately in the income statement in the item Net result from financial transactions.

The Group undertakes hedge accounting for fair value hedges to manage the interest rate risk of liabilities. This relationship was first implemented in 2022. The Group formally documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in net result from financial transactions, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk. Any residual mismatch between the hedging instrument and the hedged item is recognized as ineffectiveness. When hedging interest rate risk, any interest accrued or paid on both the hedging derivative and the hedged item is reported in interest expense. 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 period for which the item was hedged. If the hedged item is sold or repaid, the unamortized fair value adjustment is recognized immediately in Net results from financial transactions.

16) Borrowing

Financial liabilities with regard to borrowing are categorized as liabilities which are initially reported at fair value, net of transaction costs incurred and then at amortized cost and with application of the effective interest method. This category comprises Liabilities to credit institutions, Deposits from the public, Debt securities in issue and Subordinated liabilities. Where a borrowing carried at amortized cost is in a qualifying fair value hedge relationship, its carrying value is adjusted for changes in fair value attributable to the hedged risk.

17) Leasing

At inception of a contract, Klarna assesses whether a contract is, or contains, a lease.

At inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease component on the basis of their relative stand-alone price. However, for the leases of vehicles Klarna has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

A right-of-use asset and a lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for initial costs, incentive payments, restoration obligations and lease payments before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the remaining lease payments that are not paid at the commencement date, discounted using entity specific incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method. It is re-measured when there is any change in future lease payments arising, for example, from a change in an index, assessment or estimations on the usage of extension, termination or purchase options or the amount expected to be payable under a residual value guarantee. Subsequently, a corresponding adjustment to the carrying amount of the right-of-use asset is made. Lease payments included in the measurement of the lease liability are fixed payments, variable lease payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option, if applicable.

Klarna has elected not to recognize right-of-use assets and liabilities for short-term leases and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term.

18) Intangible assets

Goodwill

The amount by which a purchase sum, any non-controlling interest or the fair value on the day of acquisition of former shareholdings exceeds the fair value of identifiable acquired net assets is reported as goodwill. Goodwill on acquisitions of subsidiaries is reported as an intangible asset. Goodwill is tested annually to identify any impairment requirement and is recorded at acquisition cost less accumulated impairment. Impairment of goodwill is not reversed. Goodwill is allocated among cash-generating units when testing for any impairment requirement.

Brand names and customer related intangible assets

In business combinations, a portion of the acquisition price can be allocated to brand names and customer related intangible assets. They are reported at acquisition cost less accumulated depreciation and any accumulated impairment. Straight line depreciation is carried out over the assessed useful life (3-20 years).

Capitalized development expenses and licenses

Costs associated with IT systems and software which have been developed in-house or acquired and which are expected to be of considerable value for the business during at least three years are recognized as intangible assets. Costs for maintenance are expensed as incurred. Straight line depreciation is carried out over the assessed useful life (3-5 years).

Impairment

Goodwill and other intangible assets with indefinite useful life are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred. Impairment is calculated as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or cash generating unit. Disclosures on the performed impairment test are provided in note 23.

Intangible assets with definite useful lives are reviewed for indications of impairment. If indications exist an impairment test is performed.

19) Tangible assets

Tangible assets consist of equipment, fixtures and fittings, and computers. Tangible assets are reported at acquisition cost after a deduction for accumulated depreciation and any accumulated impairment. Acquisition costs comprise expenses that are directly attributable to the acquisition of the asset. Straight line depreciation is carried out over the assessed useful life.

The following useful life periods are applied:

Equipment, tools, and fixtures and fittings	5 years
Computers and other machinery	3 years
Leasehold improvements	The shorter of lease term and useful life

An assessment of an asset's residual value and useful life is made annually. When the residual value is less than the carrying amount an impairment loss is recognized in the income statement.

20) Participations in subsidiaries

Participations in subsidiaries are reported in the Parent Company according to the acquisition method. If it is assessed that the fair value at the end of the reporting period is less than the acquisition cost, the shares are written down. The impairment is reported in the income statement. If it is assessed that the value will increase again, the impairment is reversed via the income statement.

21) Tax

Income taxes consist of current tax and deferred tax. Income taxes are reported directly in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income, in which case also the accompanying tax is reported in equity or other comprehensive income. Deferred tax is reported according to the balance sheet method for all temporary differences between an asset's or a liability's tax base and its carrying amount in the balance sheet. Deferred tax assets are reported for non-utilized tax relief to the extent it is probable that the relief will be able to be set off against future taxable surpluses. Deferred taxes are estimated according to the tax rate that is expected to apply at the time of taxation.

Uncertain tax positions are measured on an ongoing basis and the method is determined by taking all known facts and circumstances into account.

22) Share-based payments

Employment stock warrants

For share-based payment to employees settled with equity instruments (warrants), the services rendered are measured with reference to the fair value of the granted equity instruments. The fair value of the equity instruments is calculated as per the grant date. The grant date refers to the date when a contract was entered into and the parties agreed on the terms of the share-based payment. Since the granted equity instruments are not vested until the employees have fulfilled a period of service, it is assumed that the services are rendered during the vesting period. This means that the expense and a corresponding increase in equity are recognized over the entire vesting period. Non-market based vesting terms, such as a requirement that a person remain employed, are taken into account in the assumption of how many equity instruments are expected to be vested. Changes in the estimate of how many shares are expected to be vested due to the non-market based vesting terms are recognized in the income statement and equity. The cost is presented under general administrative expenses in the income statement.

Restricted stock units

Restricted stock units (RSU) vest on a graded vesting scheme over a four year period. The fair value of the equity instruments is calculated as per the grant date. Since the granted equity instruments are not vested until the employees have fulfilled a period of service, it is assumed that the services are rendered during the vesting period. The expense and a corresponding increase in equity are recognized over the vesting period. The cost is presented under general administrative expenses in the income statement.

The employment vesting condition is a non-market based condition and is factored into the assumption of how many equity instruments are expected to vest. Where granted RSUs are forfeited due to a failure by the employee to satisfy the non-market based vesting conditions any change in expenses previously recognized in relation to such share-based payments are reversed effective from the date of the forfeiture.

Non-employee stock warrants

Klarna has granted stock warrants to certain non-employee participants in return for performed services. The fair value is measured as the fair value of the services received, and the corresponding increase in equity. Where that fair value cannot be estimated reliably, Klarna measures the value, indirectly, by reference to the fair value of granted warrants.

The fair value of the equity instruments is calculated as per the date when the services are rendered. The timing of the increase in equity is therefore dependent on when the services are performed. Depending on the characteristics of the services received a, the calculated IFRS2 costs can be presented:

- In General and administrative expenses in the income statement over the vesting period
- As Capitalizable costs (if the capitalization requirements of costs to obtain a contract asset in IFRS 15 are met) and amortized over the useful life of the asset
- As a revenue reduction under Commission income in the income statement (if considered a discount to a customer)

Any related social security charges relating to share-based payments are recognized as an expense during the corresponding period based on the fair value that serves as the basis for a payment of social security charges.

Further information relating to share-based payment transactions is presented in note 41.

23) Pensions

The Group's pension plans are defined contribution plans, which means that fees are paid to an independent legal entity according to a fixed pension plan. These fees are reported as personnel costs in the period they apply to. After the fees have been paid, the Group has no legal or other obligations.

24) Group contribution

Group contribution is recognized in the Parent Company according to its financial nature. Group contribution received from a subsidiary is reported according to the same principles as dividend received. For parent companies this means that group contribution received is reported as revenue in the income statement. Group contribution paid by a parent company to a subsidiary is to be reported as increased participation in the group company. For subsidiaries that pay or receive group contribution, this is to be reported together with the accompanying tax in equity among retained earnings.

25) Cash flow statement

The cash flow statement is reported using the indirect method. The cash flow statement is divided into payments from operating activities, investing activities and financing activities. Operating activities stem mainly from revenue-producing activities of the entity. Operating cash flows include cash received from customers and cash paid to suppliers and employees. Investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents. Financing activities are activities that alter the equity capital and borrowing structure of the entity.

26) Critical estimates and judgements for accounting purposes

The Group makes estimates and assumptions about the future based on management's experience and knowledge that affect how accounting principles are applied and what effect that has on the financial statements. The actual outcome may diverge from these estimates and assumptions. The estimates and assumptions that involve a considerable risk of significant adjustments in the carrying amounts for assets, liabilities, equity, revenue and costs during the subsequent financial year are dealt with in broad terms below.

Assessment of and impairment requirements for financial assets, financial guarantees and commitments

For financial assets that are measured at amortized cost or fair value through other comprehensive income as well as for loan commitments and financial guarantees the impairment requirements of IFRS 9 are applied. See section 12 above for impairment of financial assets, financial guarantees and commitments. Key assessments and assumptions used in impairment calculations are subject to regular review.

Impairment requirements for goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful life are tested for impairment annually, in accordance with the accounting principle described in note 23. This is tested by estimating the recoverable value, in other words, the highest of the realizable value and the value in use. If the recoverable value is lower than the carrying amount, the asset is written down. See note 23 for further information on the measurement of goodwill and significant assumptions used in the annual impairment test.

Legal provisions

Klarna operates in a regulatory and legal environment that, by nature, involves an element of litigation risk inherent to its operations and from time to time may be party to litigation, arbitration and regulatory investigations and proceedings arising during the ordinary course of business. When Klarna can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, a provision is recorded. Given the subjectivity and uncertainty of determining the probability and amount, a number of factors are assessed including; legal advice, the stage of the matter and historical evidence from similar incidents. Judgment is required in concluding such assessments.

Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Assessment of leases

When Klarna accounts for lease contracts estimates and assumptions have been made concerning, for example, prolongation and termination options, as well as interest rates.

Losses carry-forward

The group assesses on an ongoing basis as well as at the end of the year the possibility of recognizing deferred tax assets related to loss carry-forwards. Deferred tax assets attributable to losses carry-forward are reported only if it is probable that they will be used towards taxable profits in the foreseeable future.

Share-based payments

The fair value of the equity instruments is calculated as per the grant date using the Black-Scholes model. This requires identification of various inputs to the model, including; expected volatility of own share price, risk free interest rate and expected term. The key assumptions used in the model are disclosed in note 41. Non-market vesting conditions are not taken into account when determining the fair value of instruments.

At each balance sheet date, the Group revises its estimates of the number of shares and awards that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Allocation of purchase price paid for acquired businesses

The allocation of the fair value of consideration paid and the purchase price for acquired businesses to the identified acquired intangible assets involves the use of valuation techniques that require management to make certain estimates, including for example, useful economic lives, cash flow associated with the assets and asset specific discount rates. The purchase price allocations performed in the current period are disclosed in note 44.

27) Incremental costs of obtaining a contract

Where applicable, the group recognizes incremental costs of obtaining a contract with a customer in accordance with IFRS 15. These costs are capitalized as an asset and amortized over the useful life of that asset. The asset is recognized under Other assets on the balance sheet. Amortization of the cost to obtain a contract asset is recognized under General and administrative expenses in the income statement.

Note 3 Risk management

Risk descriptions

The Group categorizes the key risks it is exposed to in the sections below. These risk categories form the basis of how Klarna identifies, assesses, manages and monitors risk.

Credit risk
Definition
The risk of financial loss due to a counterparty failing to meet its contractual obligations, e.g. default, or concentrations in exposure.

Risk Measurement and Exposure

	Group		Parent Company	
Credit risk	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Loan receivables, gross	82,758	71,646	80,997	69,480
Allowance for credit losses	−4,159	−3,609	−3,436	−2,742
Loan receivables, net carrying amount	**78,599**	**68,037**	**77,561**	**66,738**
of which: Loans to credit institutions	3,783	4,990	991	1,965
of which: Loans to the public	74,151	62,087	76,155	64,366
of which: Accrued income	665	960	415	407

	Group		Parent Company	
Credit quality of debt securities	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Treasury bills chargeable at central banks, etc., and bonds and other interest-bearing securities				
AAA	8,738	8,610	8,738	8,610
AA+	1,267	1,781	1,267	1,781
AA	1,251	92	1,251	92
AA-	321	394	321	394
Total	**11,577**	**10,877**	**11,577**	**10,877**

Group, 31 Dec 2022						
Gross amounts	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Per region						
Nordics[1]	17,131	742	162	-	311	**18,346**
DACH[2]	26,473	1,025	881	-	301	**28,680**
US	15,577	2,121	397	-	719	**18,814**
UK	8,471	1,693	208	1	136	**10,509**
Other	5,487	472	294	-	156	**6,409**
Total	**73,139**	**6,053**	**1,942**	**1**	**1,623**	**82,758**
Before due and per days past due						
Before due	68,507	2,508	152	-	1,297	**72,464**
≤30 days	4,632	1,545	14	-	64	**6,255**
>30-60 days	-	1,193	16	-	18	**1,227**
>60-90 days	-	702	30	-	10	**742**
>90 days	-	105	1,730	1	234	**2,070**
Total	**73,139**	**6,053**	**1,942**	**1**	**1,623**	**82,758**

Group, 31 Dec 2021						
Gross amounts	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Per region						
Nordics[1]	17,616	938	232	-	162	**18,948**
DACH[2]	21,627	921	689	-	310	**23,547**
US	13,140	1,873	475	-	135	**15,623**
UK	7,767	670	123	1	156	**8,717**
Other	4,152	224	145	-	290	**4,811**
Total	**64,302**	**4,626**	**1,664**	**1**	**1,053**	**71,646**
Before due and per days past due						
Before due	59,219	1,344	28	-	838	**61,429**
≤30 days	5,083	1,217	14	-	33	**6,347**
>30-60 days	-	1,377	28	-	18	**1,423**
>60-90 days	-	637	34	-	21	**692**
>90 days	-	51	1,560	1	143	**1,755**
Total	**64,302**	**4,626**	**1,664**	**1**	**1,053**	**71,646**

[1] Sweden, Norway, Finland and Denmark.

[2] Germany, Austria, and Switzerland.

Parent Company, 31 Dec 2022						
Gross amounts	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Simplified approach**	**Total**
Per region						
Nordics[1]	17,148	742	162	-	242	**18,294**
DACH[2]	27,536	1,025	879	-	161	**29,601**
US	15,943	780	291	-	4	**17,018**
UK	8,421	1,693	207	1	133	**10,455**
Other	4,811	419	266	-	133	**5,629**
Total	**73,859**	**4,659**	**1,805**	**1**	**673**	**80,997**
Before due and per days past due						
Before due	69,236	1,905	151	-	483	**71,775**
≤30 days	4,623	1,008	11	-	17	**5,659**
>30-60 days	-	1,050	13	-	10	**1,073**
>60-90 days	-	591	28	-	4	**623**
>90 days	-	105	1,602	1	159	**1,867**
Total	**73,859**	**4,659**	**1,805**	**1**	**673**	**80,997**

Parent Company, 31 Dec 2021						
Gross amounts	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Simplified approach**	**Total**
Per region						
Nordics[1]	17,571	937	232	-	161	**18,901**
DACH[2]	22,118	921	691	-	169	**23,899**
US	13,813	565	299	-	-	**14,677**
UK	7,753	669	123	1	141	**8,687**
Other	2,765	185	114	-	252	**3,316**
Total	**64,020**	**3,277**	**1,459**	**1**	**723**	**69,480**
Before due and per days past due						
Before due	58,933	842	27	-	587	**60,389**
≤30 days	5,087	684	8	-	5	**5,784**
>30-60 days	-	1,215	17	-	7	**1,239**
>60-90 days	-	485	22	-	10	**517**
>90 days	-	51	1,385	1	114	**1,551**
Total	**64,020**	**3,277**	**1,459**	**1**	**723**	**69,480**

[1] Sweden, Norway, Finland and Denmark.
[2] Germany, Austria, and Switzerland.

For additional information on allowances on Loans to the public, see note 20.

Market risk

Definition

Market risk is the risk of movements in market prices impacting Klarna’s earnings or capital position.

Risk Measurement and Exposure

Currency exposure[1]

Group 31 Dec 2022	EUR	USD	GBP	Other	Total exposure
Net average daily position	15	185	44	208	**452**
Effect of 10% change versus the foreign currency	−2	−19	−4	−20	**−45**

Group 31 Dec 2021	EUR	USD	GBP	Other	Total exposure
Net average daily position	54	81	25	107	**267**
Effect of 10% change versus the foreign currency	−5	−8	−3	−11	**−27**

Parent Company 31 Dec 2022	EUR	USD	GBP	Other	Total exposure
Net average daily position	55	240	23	107	**425**
Effect of 10% change versus the foreign currency	−6	−24	−2	−11	**−43**

Parent Company 31 Dec 2021	EUR	USD	GBP	Other	Total exposure
Net average daily position	40	57	38	63	**198**
Effect of 10% change versus the foreign currency	−4	−6	−4	−6	**−20**

[1] The amounts are presented in SEKm.

Economic value accounts for changes to discounted values of future cash flows. In accordance with regulatory guidelines, we apply different stress tests to account for both parallel shifts and a rotation of the yield curve. The tables below summarize the worst possible outcome based on these stress tests.

Interest rate risk exposure[1]

Group 31 Dec 2022	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	136	−421	78	34	10	**−163**

Group 31 Dec 2021	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	83	−154	-	1	−5	**−75**

Parent Company 31 Dec 2022	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	137	−420	124	34	10	**−115**

Parent Company 31 Dec 2021	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	79	−154	8	1	−5	**−71**

[1] The amounts are presented in SEKm.

Liquidity Risk

Definition

Liquidity Risk refers to the risk of Klarna being unable to meet its financial obligations, as they fall due, or unable to fund its operational needs without incurring unacceptable costs.

Risk Measurement and Exposure

Klarna complies with all liquidity regulatory requirements, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Funding sources

Group 31 Dec 2022	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	2,073	755	1	-	-	**2,829**
Deposits from the public	30,643	8,083	23,866	18,476	-	**81,068**
Debt securities issued[1]	22	428	236	990	-	**1,676**
Other liabilities[2]	9,066	129	352	12,292	321	**22,160**
Accrued expenses and prepaid income	2,120	113	258	117	-	**2,608**
Subordinated liabilities[1]	-	-	-	-	303	303
Total	**43,924**	**9,508**	**24,713**	**31,875**	**624**	**110,644**

Group 31 Dec 2021	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	33	680	-	-	-	**713**
Deposits from the public	29,012	2,367	9,553	18,738	-	**59,670**
Debt securities issued[1]	2,963	622	2,010	3,528	-	**9,123**
Other liabilities[2]	7,426	228	418	5,568	453	**14,093**
Accrued expenses and prepaid income	2,190	41	186	198	-	**2,615**
Subordinated liabilities[1]	-	-	-	-	301	**301**
Total	**41,624**	**3,938**	**12,167**	**28,032**	**754**	**86,515**

Parent Company 31 Dec 2022	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	2,074	755	-	-	-	**2,829**
Deposits from the public	30,340	8,083	23,866	18,471	-	**80,760**
Debt securities issued[1]	22	428	236	451	-	**1,137**
Other liabilities[2]	10,023	98	173	12,157	272	**22,723**
Accrued expenses and prepaid income	1,670	104	248	108	-	**2,130**
Subordinated liabilities[1]	-	-	-	-	303	**303**
Total	**44,129**	**9,468**	**24,523**	**31,187**	**575**	**109,882**

Parent Company 31 Dec 2021	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	33	679	-	-	-	**712**
Deposits from the public	28,753	2,367	9,553	18,736	-	**59,409**
Debt securities issued[1]	2,963	623	2,009	3,202	-	**8,797**
Other liabilities[2]	7,140	207	412	5,421	398	**13,578**
Accrued expenses and prepaid income	1,750	34	170	196	-	**2,150**
Subordinated liabilities[1]	-	-	-	-	301	**301**
Total	**40,639**	**3,910**	**12,144**	**27,555**	**699**	**84,947**

[1] Interest is included in the amounts for Debt securities issued and Subordinated liabilities.

[2] Lease liabilities are included in the amounts for Other liabilities. For lease maturity information, see note 7, Leases.

Operational Risk
Definition

The risk of inadequate or failed processes, personnel, products or third parties.

Risk Measurement and Exposure
Risks are assessed by impact and likelihood that together generate the risk level. Impact is evaluated through; financial, operational, regulatory, reputational, internal and strategic aspects. The risk exposure is monitored frequently, and reported to Executive Management and the Board at least quarterly, in addition to the risk appetite escalation process.

ICT and Security Risk
Definition

The risk of insufficient protection of information and information systems, from unauthorized access, use, disclosure, disruption, modification, or destruction, leading to loss of confidentiality, integrity or availability.

Risk Measurement and Exposure
Risks are assessed by impact and likelihood that together generate the risk level. Impact is evaluated through: financial, operational, regulatory, reputational, internal and strategic aspects, as well as confidentiality, integrity and availability loss. The risk exposure is monitored frequently and reported to Executive Management and the Board at least quarterly in addition to the risk appetite escalation process.

Business Risk
Definition
The risk of suboptimal strategy selection or ESG factors impacting the achievement of Klarna's business objectives or altering the long term valuation or viability of the business.

Risk Measurement and Exposure
Klarna's business plans utilize budgets and forecasts. Business plans are reviewed monthly by the executive team, including updates on key financial and business metrics.

Note 4 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 - Dec 2022	Jan - Dec 2021
Geographical breakdown		
- Germany	5,008	4,859
- United States	4,806	3,053
- Sweden	2,140	2,381
- United Kingdom	2,131	1,467
- Other countries	3,512	2,665
Total net operating income less net result from financial transactions[1]	**17,597**	**14,425**
Income category		
- Retailer income	9,550	7,674
- Consumer income	5,451	5,678
- Other income[2]	2,596	1,073
Total net operating income less net result from financial transactions[1]	**17,597**	**14,425**
Non-current assets		
- Sweden	16,202	9,683
- Germany	3,544	3,288
- Other countries[3]	2,569	2,387
Total non-current assets	**22,315**	**15,358**

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

[2] "Other income" includes marketing income and Klarna card interchange income.

[3] Non-current assets included within "Other countries" is mainly attributable to the United Kingdom and the United States.

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

Parent Company 2022	Sweden	Germany	Other[2]	Total
Interest income	1,228	1,491	2,061	**4,780**
Commission income	1,331	3,126	4,381	**8,838**
Other operating income	160	1,826	254	**2,240**
Total	**2,719**	**6,443**	**6,696**	**15,858**

2021[1]	Sweden	Germany	Other[2]	Total
Interest income	1,422	1,211	1,517	**4,150**
Group contribution	125	-	-	**125**
Commission income	1,410	3,137	3,588	**8,135**
Other operating income	52	1,540	130	**1,722**
Total	**3,009**	**5,888**	**5,235**	**14,132**

[1] The presentation 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	2022	2021
Retailer	6,611	6,364
Consumer	5,056	5,355
Total	**11,667**	**11,719**

Note 5 Interest income

	Group		Parent Company	
	2022	2021	2022	2021
Loans to credit institutions	33	1	30	1
Loans to the public	4,231	3,976	4,229	3,975
Other interest income	158	63	521	174
Total	**4,422**	**4,040**	**4,780**	**4,150**

Interest income is calculated using the effective interest rate method.

Note 6 Interest expenses

	Group		Parent Company	
	2022	2021	2022	2021
Interest-bearing securities and chargeable treasury bills etc.	–156	–116	–156	–116
Liabilities to credit institutions	–83	–70	–82	–69
Deposits from the public	–669	–384	–669	–384
Debt securities issued	–73	–60	–73	–60
Subordinated liabilities	–13	–19	–13	–19
Group companies	–112	–156	–119	–183
Other interest expenses	–56	–17	–51	–14
Total	**–1,162**	**–822**	**–1,163**	**–845**

Interest expense is calculated using the effective interest rate method.

Note 7 Leases

	Group		Parent Company	
	2022	2021	2022	2021
Depreciation of right-of-use assets	−410	−260	−282	−205
of which: buildings	−406	−257	−279	−203
of which: cars	−2	−2	−1	−1
of which: other	−2	−1	−2	−1
Interest expense for lease liabilities	−45	−22	−40	−19
Total right-of-use lease cost	**−455**	**−282**	**−322**	**−224**
Expenses relating to short-term leases	−121	−72	−79	−71
Expenses relating to low-value assets	−5	−4	−5	−3
Total short-term and low value leases	**−126**	**−76**	**−84**	**−74**
Right-of-use assets and lease liabilities				
Carrying amount for right-of-use assets (restated)[1]	1,636	1,500	1,381	1,288
of which: buildings (restated)[1]	1,632	1,494	1,378	1,284
of which: cars	2	3	1	1
of which: other	2	3	2	3
Additions to right-of-use assets during the year	235	356	112	254
Disposals during the year	−19	−32	−18	−31
Impairments	−95	-	−64	-
Revaluations during the year (restated)[1]	381	650	322	661
Currency translation difference during the year	44	14	23	7
Lease liabilities (restated)[1]	1,757	1,486	1,461	1,270

[1] On 23 December 2021, Klarna entered into a new lease agreement in relation to Klarna's headquarters effective January 2022 and at the same time entered into a lease modification to an existing lease at the same office. The modification included an extension of the lease term to December 2028. The new lease agreement recognized during the year increased right-of-use assets SEK 148.5m and lease liabilities SEK 166m as at 31 December 2022. Right-of-use assets and the lease liabilities as at 31 December 2021 have been restated to include an additional amount of SEK 402m, respectively, as a result of the lease modification. The lease modification had no impact on the 2021 income statement.

The right-of-use assets are included in Tangible assets and the lease liabilities are included in Other liabilities on the balance sheet.

Group, Maturity						
31 Dec 2022	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities	136	100	183	1,017	321	**1,757**
31 Dec 2021	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities (restated)[1]	65	60	148	760	453	**1,486**

Parent Company, Maturity						
31 Dec 2022	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities	81	78	145	885	272	**1,461**
31 Dec 2021	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities (restated)[1]	48	45	119	661	397	**1,270**

Note 8 Commission income

Group Commission income split by product category	2022	2021
Retailer	11,336	9,007
Consumer	1,967	2,186
Other	119	61
Total	**13,422**	**11,254**

Parent Company Commission income split by product category	2022	2021
Retailer	7,168	6,211
Consumer	1,576	1,864
Other	94	60
Total	**8,838**	**8,135**

Note 9 Commission expenses

	Group		Parent Company	
	2022	2021	2022	2021
Commission to partners	−635	−710	−2,579	−2,151
Other commissions	−89	-	−89	-
Total	**−724**	**−710**	**−2,668**	**−2,151**

Note 10 Net result from financial transactions

	Group		Parent Company	
	2022	2021	2022	2021
Realized/unrealized movements in exchange rates	−20	−22	−17	6
Gains from financial instruments	172	15	188	11
Losses from financial instruments	−667	−110	−445	−112
Realized and unrealized gains/losses on shares held in listed and unlisted companies	−511	−554	−513	−554
Total	**−1,026**	**−671**	**−787**	**−649**

As of December 31, 2022, Klarna Bank AB (publ) had entered into derivatives with the gross nominal amount of SEK 53,026m (52,520m), see note 26.

Note 11 Employees and personnel costs

Average number of full-time equivalents	Group				Parent			
	2022		2021		2022		2021	
	Total	whereof women	Total	whereof women	Total	whereof women	Total	whereof women
Sweden	2,997	1,304	2,616	1,106	2,891	1,271	2,616	1,106
Germany	1,305	454	1,073	340	1,089	402	899	298
United States	601	345	453	253	1	-	1	-
United Kingdom	374	168	241	97	374	168	241	97
Italy	183	50	95	26	-	-	-	-
Spain	145	78	62	34	-	-	-	-
Netherlands	88	44	62	28	-	-	-	-
Australia	80	48	73	37	-	-	-	-
Canada	44	15	15	5	-	-	-	-
Norway	38	21	21	11	-	-	-	-
France	34	14	11	4	34	14	11	4
Finland	28	16	21	11	-	-	-	-
Denmark	26	10	4	2	7	4	4	2
Poland	22	6	12	3	-	-	-	-
Belgium	10	4	10	5	-	-	-	-
Austria	9	5	10	6	-	-	-	-
Ireland	5	2	2	-	5	2	2	-
New Zealand	5	1	3	1	-	-	-	-
Japan	5	-	2	-	-	-	-	-
Switzerland	2	-	3	1	2	-	3	1
Mexico	1	-	-	-	-	-	-	-
Total	**6,002**	**2,585**	**4,789**	**1,970**	**4,403**	**1,861**	**3,777**	**1,508**

Salaries, other remuneration, social security and pension expenses	Group		Parent Company	
	2022	2021	2022	2021
Salaries and other remuneration attributable to:				
Board and CEO	−13	−10	−13	−10
Other employees	−4,337	−2,839	−2,827	−1,956
Total salaries and other remuneration	**−4,350**	**−2,849**	**−2,840**	**−1,966**
Statutory and contractual social security expenses	−1,211	−1,107	−977	−977
of which: pension expenses	−282	−227	−232	−206
Total salaries, other remuneration, social security and pension expenses	**−5,561**	**−3,956**	**−3,817**	**−2,943**

Group	31 Dec 2022		31 Dec 2021	
Board members and senior management	**Number at closing day**	**whereof women**	**Number at closing day**	**whereof women**
Board members and Group CEO	7	29%	7	29%
Other members of senior management	6	17%	8	33%

Group 2022 Salaries and other remuneration to the board and senior management[1]	Basic salary/fee	Variable remuneration[3]	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Ferguson	-	-	-	-	-
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	-	-	-	-	-
Sarah Smith	-	-	-	-	-
Sebastian Siemiatkowski, CEO	-11.5	-0.2	-0.7	-0.8	**-13.2**
Other members of senior management (9)[2]	-55.9	-4.2	-1.9	-4.6	**-66.6**
Total	**-67.4**	**-4.4**	**-2.6**	**-5.4**	**-79.8**

[1] Remuneration to board members other than CEO are accounted for in Klarna Bank AB (publ)'s parent company Klarna Holding AB (publ) and is presented in the annual report for Klarna Holding AB (publ).

[2] The number within parentheses refers to the number of individuals that have received salaries and remuneration during the year, and not necessarily to the number of members at a given point in time.

[3] Variable remuneration includes cash-based variable remuneration and IFRS 2 expensed amounts for equity based programs.

Group 2021 Salaries and other remuneration to the board and senior management[1]	Basic salary/fee	Variable remuneration[4]	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Ferguson[2]	-	-	-	-	-
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	-	-	-	-	-
Sarah Smith	-	-	-	-	-
Andrew Young[2]	-	-	-	-	-
Sebastian Siemiatkowski, CEO	-8.9	-0.1	-	-0.8	**-9.8**
Knut Frängsmyr, Deputy CEO	-7.2	-	-	-1.0	**-8.2**
Other members of senior management (7)[3]	-79.4	-19.0	-0.1	-4.6	**-103.1**
Total	**-95.5**	**-19.1**	**-0.1**	**-6.4**	**-121.1**

[1] Remuneration to board members other than CEO are accounted for in Klarna Bank AB (publ)'s parent company Klarna Holding AB (publ) and is presented in the annual report for Klarna Holding AB (publ).

[2] On May 20, 2021, the company appointed Roger Ferguson to the Board. Andrew Young resigned from the Board.

[3] The number within parentheses refers to the number of individuals that have received salaries and remuneration during the year, and not necessarily to the number of members at a given point in time.

[4] Variable remuneration includes cash-based variable remuneration and IFRS 2 expensed amounts for equity based programs.

Remuneration
The rules on remuneration are found in the Swedish Banking and Financing Act (2004:297) and the Swedish Financial Supervisory Authority's regulations (FFFS 2011:1 and FFFS 2020:30) regarding remuneration systems in credit institutions, securities companies and fund management companies licensed to conduct discretionary portfolio management (below "the remuneration rules").

In accordance with part eight of regulation (EU) No 575/2013, commonly referred to as the Capital Requirements Regulation (CRR), and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2014:12) regarding the disclosure of information on capital adequacy and risk management (below "disclosure rules"), the Group shall at least annually in its annual report and on its website give information on its Remuneration Policy and remuneration systems.

The information below follows the provisions of the disclosure rules.

Remuneration program
The Group has a remuneration structure that recognizes the importance of well-balanced but differentiated remuneration structures, based on business and local market needs, as well as the importance of being consistent with and promoting sound and efficient risk management not encouraging excessive risk-taking and short-term profits or counteracting the Group's long-term interests.

The aim with the remuneration structure is to both support the ability to attract and retain talents in every position as well as support equal and fair treatment, but also to ensure that remuneration in the Group is aligned with efficient risk management and compliant with existing regulations.

Remuneration Committee
The Board of Directors has established a Remuneration Committee consisting of three members appointed by the Board. The Remuneration Committee is responsible for preparing and presenting proposals to the Board on salaries and remuneration issues. This duty includes proposals regarding the Remuneration Policy and on remuneration to members of the Group management team and employees who head any of the control functions. The Remuneration Committee shall also prepare proposals for the Annual General Meeting regarding the remuneration of the members of the Board and the auditors. Furthermore, the Remuneration Committee shall make a competent and independent evaluation of the Remuneration Policy and the Group's remuneration system, together with the suitable control function(s) if necessary.

The Remuneration Committee held two formal meetings in 2022. It handled matters within its responsibility on an ongoing basis through correspondence between the committee members with the formal decisions not covered by its delegation authority being reported to and documented by the Board at the closest following Board meeting.

Remuneration Policy and risk analysis
The Board has adopted a Remuneration Policy that is designed to be compatible with and promote sound and effective risk management, avoid exaggerated risk-taking and be in line with the Group's long-term interests. The Remuneration Policy shall be revised when it is necessary, at least annually.

The Remuneration Policy, remuneration system and list of those staff members whose professional activities have a material impact on the Group's risk profile (Identified staff) are assessed annually. The assessment includes an analysis of all key risks the Group is or might be exposed to, including the risks associated with its Remuneration Policy and remuneration structure. In general, the Group's remuneration system involves low risk compared with large banks and other credit institutions with comprehensive trading and other businesses covered by the remuneration rules. The risk cycle in the Group's credit business is assessed to be short, which means that any risks materialize within a few months.

Remuneration structure

The Group applies the following general principles on remuneration:

(i) remuneration shall be set on an individual basis, based on experience, competence and performance
(ii) remuneration shall not be discriminating
(iii) remuneration shall be competitive, but not counterproductive to the Group's long term interests and capability to generate positive results throughout a full economic cycle.

The remuneration structure within the Group comprises fixed remuneration and variable remuneration. As stipulated in the remuneration rules, the Group ensures that the fixed and variable components are appropriately balanced by ensuring that the fixed remuneration represents a sufficiently large proportion of the employee's total remuneration allowing the Group the possibility to pay no variable remuneration. This means that the Group can decide that the variable remuneration, including deferred payment, can be canceled in part or in whole under certain circumstances, as described below.

Variable remuneration shall amount to a maximum 100% of an employee's total fixed remuneration for Identified staff and 200% of an employee's total fixed remuneration for other employees, unless otherwise decided by the Board of Directors in exceptional cases.

Variable remuneration should not only take into consideration the employee's and his/her team's result but preferably also the Group's total result as well as qualitative criteria such as the employee's compliance with internal rules. It should be based on results that are adjusted for current and future risks. The Group shall ensure that it is entitled to unilaterally decrease or withdraw all or parts of the variable remuneration if the criteria are not met or if the Group's financial situation deteriorates substantially.

If an Identified staff member receives variable remuneration exceeding the amount stipulated in the remuneration rules such remuneration would be subject to deferral and retention.

Remuneration to Group management team and Identified staff

Total remuneration awarded and paid to the Group management team of 10 persons[1] (9) amounts to SEK 119.2m (121.0m) and for Identified staff, 46 persons[1] (91), this sum amounts to SEK 237.2m (177.0m), which aggregates to SEK 356.4m (298.0m). Variable remuneration accounts for SEK 49.5m (25.6m) of the Group management team figure related to 9 (9) of its members and SEK 173.0m (62.1m) of the Identified staff figure, related to 46 (88) beneficiaries. The tables below present both variable remuneration awarded and paid:

2022	Value of variable remuneration			Number of beneficiaries		
Type of variable remuneration	Group management team	Identified staff	Total	Group management team	Identified staff	Total
Paid as one off cash payments (relating to referral bonuses / gratuities / sales commission)	−2.6	−7.2	−9.8	3	8	11
Paid in the form of shares, share-related instruments, financial instruments or non-cash benefits	−7.4	−133.4	−140.8	9	46	55
Deferred remuneration awarded	−39.5	−30.7	−70.2	7	34	41
New sign-on bonus paid	-	-	-	-	2	2
Severance payments paid	-	−1.7	−1.7	-	1	1
Total	**−49.5**	**−173.0**	**−222.5**	**9**	**46**	**55**

During 2022, eight employees have been remunerated more than EUR 1m (six between EUR 1m and EUR 1.5m, one between EUR 1.5m and EUR 2m, one between EUR 2m and EUR 2.5m).

[1] The number refers to individuals that have received salaries and remuneration during the year, and not necessarily to the number of members at a given point in time.

2021	Value of variable remuneration			Number of beneficiaries		
Type of variable remuneration	**Group management team**	**Identified staff**	**Total**	**Group management team**	**Identified staff**	**Total**
Paid as one off cash payments (relating to referral bonuses / gratuities / sales commission)	−0.4	−2.9	**−3.3**	2	18	**20**
Paid in the form of shares, share-related instruments, financial instruments or non-cash benefits	−21.3	−52.4	**−73.7**	9	88	**97**
New sign-on bonus paid	−3.9	-	**−3.9**	1	-	**1**
Severance payments paid	-	−6.8	**−6.8**	-	2	**2**
Total	**−25.6**	**−62.1**	**−87.7**	**9**	**88**	**97**

During 2021, six employees have been remunerated more than EUR 1m (two between EUR 1m and EUR 1.5m, three between EUR 2m and EUR 2.5m, one between EUR 4.5m and EUR 5m).

As at December 2022, total outstanding deferred remuneration[1] to the Group management team of 8 persons[2] (2) amounts to SEK 31.7m (1.1m) and for Identified staff, 46 persons (2), this sum amounts to SEK 139.4m (1.1m), which aggregates to SEK 171.1m (2.2m).

[1] There has been no risk adjustment reduction made to deferred remuneration awards during 2022 or 2021.

[2] The number refers to individuals that have received salaries and remuneration during the year, and not necessarily to the number of members at a given point in time.

Note 12 Fees and reimbursement of expenses for auditors

	Group		Parent Company	
	2022	2021	2022	2021
EY				
Audit engagement	−18	−16	−14	−13
Audit related services	−1	−1	-	−1
Total	**−19**	**−17**	**−14**	**−14**

Note 13 Depreciation, amortization and impairment of intangible and tangible assets

	Group		Parent Company	
	2022	2021	2022	2021
Amortization and depreciation				
Intangible assets	−812	−324	−652	−354
Tangible assets[1]	−537	−331	−382	−266
Total	**−1,349**	**−655**	**−1,034**	**−620**
Impairment				
Intangible assets	−48	-	−48	-
Tangible assets[1]	−107	-	−72	-
Total	**−155**	**-**	**−120**	**-**
Total depreciation, amortization and impairment of intangible and tangible assets	**−1,504**	**−655**	**−1,154**	**−620**

[1] Depreciation and impairment of leased assets is included in Tangible assets. See note 7, Leases, for additional information.

Note 14 Credit losses, net

	Group		Parent Company	
Loan losses divided by class	**2022**	**2021**	**2022**	**2021**
Loans to credit institutions				
Increase in provisions	−32	−2	-	−1
Reversal of previous provisions	27	3	-	2
Total	**−5**	**1**	**-**	**1**
Loans to the public				
Realized loan losses, net of recoveries[1]	−5,569	−3,320	−3,370	−2,040
Release in provisions to cover realized loan losses	4,872	2,696	2,915	1,502
Increase in provisions	−15,440	−12,225	−9,872	−7,895
Reversal of previous provisions	10,458	8,169	6,572	5,505
Total	**−5,679**	**−4,680**	**−3,755**	**−2,928**
Financial guarantees and commitments				
Increase in provisions	−99	−37	−99	−44
Reversal of previous provisions	66	69	67	71
Total	**−33**	**32**	**−32**	**27**
Total credit losses, net	**−5,717**	**−4,647**	**−3,787**	**−2,900**

[1] Provisions for prepaid expenses and accrued income is included in Realized loan losses, net of recoveries for the parent company and amounts to 0m (0m).

Note 15 Taxes

Income tax expense	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Current tax				
Tax expense for the year	−115	−182	−38	−17
Adjustment of tax attributable to previous years	9	16	15	3
Total	**−106**	**−166**	**−23**	**−14**
Deferred tax				
Deferred tax	133	−346	33	−453
Total	**133**	**−346**	**33**	**−453**
Reported tax expense	**27**	**−512**	**10**	**−467**

Effective tax rate	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Income before tax	**−10,230**	**−6,581**	**−8,888**	**−5,579**
Income tax calculated in accordance with national tax rates applicable in each country	2,248	1,434	1,832	1,149
Non-taxable revenues	99	30	98	29
Non-deductible expenses	−178	−103	−220	−99
Taxable income not booked in profit or loss	−78	−15	−61	−2
Deductible expenses not booked in profit or loss	144	101	142	61
Unrecognized taxable losses	−2,204	−1,910	−1,796	−1,611
Effect of change in tax rate	-	5	-	-
Losses carried forward used this year	14	-	-	-
Adjustments of tax attributable to previous years	−18	−54	15	6
Reported tax expense	**27**	**−512**	**10**	**−467**
Effective tax rate	**0.3%**	**−7.8%**	**0.1%**	**−8.4%**

Deferred tax assets	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Losses carried forward	20	8	-	-
Allowance for credit losses	201	212	25	13
Other	172	88	36	26
Recognized in profit and loss	**393**	**308**	**61**	**39**
Share-based payments	2	9	-	5
Recognized in other comprehensive income and shareholders' equity	**2**	**9**	**-**	**5**
Total	**395**	**317**	**61**	**44**

Deferred tax liabilities	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Intangible assets	854	118	27	-
Other	58	65	59	65
Total	**912**	**183**	**86**	**65**

Deferred tax assets attributable to carryforward of unused tax losses are recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

In addition to the above; reported tax expense, related to items recorded in the income statement, Klarna Bank AB (publ) has utilized tax losses amounting to SEK 236m (with a calculated tax effect of SEK 49m). The taxable income relates to warrants, whose tax effect usually is reported within equity. Due to Klarna Bank AB (publ)’s tax losses having not been recognized as deferred tax assets, the utilization of the tax losses leads to no tax expense being reported in equity in respect of the warrants.

Note 16 Net result from categories of financial instruments

	Group		Parent Company	
	2022	2021	2022	2021
Financial instruments mandatory measured at fair value through profit or loss	733	−587	971	−592
Financial assets measured at amortized cost	12,084	10,563	11,643	10,882
Financial liabilities measured at amortized cost	−1,750	−1,486	−1,731	−1,475
Currency exchange gains/losses	−1,299	466	−1,296	493
Total	**9,768**	**8,956**	**9,587**	**9,308**

Note 17 Proposed treatment of unappropriated earnings

The Board and the CEO propose to the Annual General Meeting that the non-restricted equity of SEK 12,366,237,203 on Klarna Bank AB (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward.

Additional Tier 1 instruments	276,000,000	SEK
Other reserves	−172,360,791	SEK
Retained earnings	21,138,623,152	SEK
Net result for the year	−8,876,025,158	SEK
Total	**12,366,237,203**	**SEK**

Note 18 Treasury bills chargeable at central banks, etc.

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
State and sovereigns	214	993	214	993
Municipalities and other public bodies	10,499	8,751	10,499	8,751
Total	**10,713**	**9,744**	**10,713**	**9,744**
By currency				
- in SEK	5,665	5,355	5,665	5,355
- in EUR	2,305	801	2,305	801
- in USD	2,743	3,588	2,743	3,588
Total	**10,713**	**9,744**	**10,713**	**9,744**

Note 19 Loans to credit institutions

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Loans to credit institutions	3,783	4,990	991	1,965
By currency				
- in SEK	195	531	80	518
- in EUR	821	1,720	400	954
- in NOK	54	51	15	50
- in USD	1,926	2,091	83	165
- in AUD	213	355	17	50
- in GBP	29	96	5	92
- in other currencies	545	146	391	136
Total	**3,783**	**4,990**	**991**	**1,965**

All loans to credit institutions are payable on demand.

Note 20 Loans to the public

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Loans to the public[1]	78,305	65,696	80,077	67,107
Allowance for credit losses	–4,154	–3,609	–3,436	–2,741
Total	**74,151**	**62,087**	**76,641**	**64,366**

[1] Parent Company Loans to the public include a loan measured at fair value through profit or loss amounting to SEK 486m (279m).

The tables below show gross carrying amounts and allowances for loans to the public measured at amortized cost.

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2022[1]	**58,352**	**4,626**	**1,664**	**1**	**1,053**	**65,696**
Additions from business combinations	-	-	-	-	73	**73**
New assets originated or purchased	1,012,754	1,250	128	-	11,531	**1,025,663**
Assets derecognized or repaid (excl. write-offs)	–969,399	–23,073	–1,571	-	–11,249	**–1,005,292**
Transfers to stage 1	7,092	–6,935	–157	-	-	**-**
Transfers to stage 2	–37,831	37,942	–111	-	-	**-**
Transfers to stage 3	–942	–7,165	8,107	-	-	**-**
Amounts written off	–291	–582	–6,098	-	–56	**–7,027**
Other adjustments	–672	–9	–22	-	–105	**–808**
Gross carrying amount as at December 31, 2022	**69,063**	**6,054**	**1,940**	**1**	**1,247**	**78,305**

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Allowance as at January 1, 2022[1]	**–1,599**	**–882**	**–962**	**-**	**–166**	**–3,609**
Additions from business combinations	-	-	-	-	–9	**–9**
New assets originated or purchased	–4,920	–454	–333	-	–86	**–5,793**
Assets derecognized or repaid (excl. write-offs)	6,520	2,816	892	-	102	**10,330**
Transfers to stage 1	–730	613	117	-	-	**-**
Transfers to stage 2	1,451	–1,538	87	-	-	**-**
Transfers to stage 3	79	3,711	–3,790	-	-	**-**
Impact on ECL from change in credit risk	–2,577	–5,478	–1,893	-	–131	**–10,079**
Changes to models and inputs used for ECL calculations	183	–19	–36	-	-	**128**
Amounts written off	76	214	4,550	-	31	**4,871**
Other adjustments	–3	1	2	-	7	**7**
Allowance as at December 31, 2022	**–1,520**	**–1,016**	**–1,366**	**-**	**–252**	**–4,154**

[1] The table shows month over month movements.

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2021[1]	**40,418**	**1,475**	**981**	**7**	**852**	**43,733**
New assets originated or purchased	668,889	612	508	-	6,602	**676,611**
Assets derecognized or repaid (excl. write-offs)	−634,124	−8,104	−2,216	−1	−6,394	**−650,839**
Transfers to stage 1	3,352	−2,858	−494	-	-	-
Transfers to stage 2	−18,022	18,177	−155	-	-	-
Transfers to stage 3	−1,923	−4,442	6,365	-	-	-
Amounts written off	−184	−418	−3,437	−4	−18	**−4,061**
Other adjustments	−54	184	112	−1	11	**252**
Gross carrying amount as at December 31, 2021	**58,352**	**4,626**	**1,664**	**1**	**1,053**	**65,696**

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Allowance as at January 1, 2021[1]	**−1,043**	**−299**	**−571**	**−2**	**−100**	**−2,015**
New assets originated or purchased	−5,314	−214	−467	-	−314	**−6,309**
Assets derecognized or repaid (excl. write-offs)	5,445	1,219	877	1	231	**7,773**
Transfers to stage 1	−466	312	154	-	-	-
Transfers to stage 2	880	−963	83	-	-	-
Transfers to stage 3	28	2,214	−2,242	-	-	-
Impact on ECL from change in credit risk	−1,405	−3,496	−1,259	−1	-	**−6,161**
Changes to models and inputs used for ECL calculations	246	144	6	-	-	**396**
Amounts written off	15	230	2,431	2	18	**2,696**
Other adjustments	15	−29	26	-	−1	**11**
Allowance as at December 31, 2021	**−1,599**	**−882**	**−962**	**-**	**−166**	**−3,609**

[1] The table shows month over month movements.

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2022[1]	**61,648**	**3,276**	**1,459**	**2**	**722**	**67,107**
New assets originated or purchased	534,335	790	209	-	6,399	**541,733**
Assets derecognized or repaid (excl. write-offs)	−499,774	−16,892	−1,414	−1	−6,409	**−524,490**
Transfers to stage 1	6,413	−6,283	−130	-	-	**-**
Transfers to stage 2	−29,269	29,354	−85	-	-	**-**
Transfers to stage 3	−785	−5,222	6,007	-	-	**-**
Amounts written off	−214	−360	−4,211	-	−42	**−4,827**
Other adjustments	228	−4	−28	-	−128	**68**
Gross carrying amount as at December 31, 2022	**72,582**	**4,659**	**1,807**	**1**	**542**	**79,591**

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Allowance as at January 1, 2022[1]	**−1,306**	**−497**	**−798**	**-**	**−140**	**−2,741**
New assets originated or purchased	−3,034	−244	−288	-	−71	**−3,637**
Assets derecognized or repaid (excl. write-offs)	4,005	1,690	765	-	67	**6,527**
Transfers to stage 1	−568	473	95	-	-	**-**
Transfers to stage 2	1,152	−1,218	66	-	-	**-**
Transfers to stage 3	23	2,230	−2,253	-	-	**-**
Impact on ECL from change in credit risk	−1,688	−3,151	−1,646	-	−64	**−6,549**
Changes to models and inputs used for ECL calculations	120	−45	−30	-	-	**45**
Amounts written off	14	34	2,840	-	25	**2,913**
Other adjustments	−3	−2	5	-	6	**6**
Allowance as at December 31, 2022	**−1,285**	**−730**	**−1,244**	**-**	**−177**	**−3,436**

[1] The table shows month over month movements.

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2021[1]	**40,132**	**1,395**	**952**	**1**	**667**	**43,147**
New assets originated or purchased	439,334	530	279	1	4,631	**444,775**
Assets derecognized or repaid (excl. write-offs)	−404,700	−7,312	−2,002	-	−4,561	**−418,575**
Transfers to stage 1	3,263	−2,773	−490	-	-	**-**
Transfers to stage 2	−14,733	14,857	−124	-	-	**-**
Transfers to stage 3	−1,878	−3,326	5,204	-	-	**-**
Amounts written off	−117	−215	−2,428	-	−14	**−2,774**
Other adjustments	347	120	68	-	−1	**534**
Gross carrying amount as at December 31, 2021	**61,648**	**3,276**	**1,459**	**2**	**722**	**67,107**

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Allowance as at January 1, 2021[1]	**−846**	**−199**	**−500**	**-**	**−88**	**−1,633**
New assets originated or purchased	−3,283	−141	−242	-	−179	**−3,845**
Assets derecognized or repaid (excl. write-offs)	3,565	945	697	-	112	**5,319**
Transfers to stage 1	−430	279	151	-	-	**-**
Transfers to stage 2	709	−761	52	-	-	**-**
Transfers to stage 3	24	1,189	−1,213	-	-	**-**
Impact on ECL from change in credit risk	−1,198	−1,856	−1,226	-	-	**−4,280**
Changes to models and inputs used for ECL calculations	126	36	24	-	-	**186**
Amounts written off	9	42	1,436	-	15	**1,502**
Other adjustments	18	−31	23	-	-	**10**
Allowance as at January 1, 2021	**−1,306**	**−497**	**−798**	**-**	**−140**	**−2,741**

[1] The table shows month over month movements.

Loans with a contractual amount of SEK 3,436m (1,782m) for the Group and SEK 1,489m (659m) for the Parent Company that were written off during the year are still subject to enforcement activity.

Note 21 Bonds and other interest-bearing securities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Other borrowers	864	1,133	864	1,133
Total	**864**	**1,133**	**864**	**1,133**
- in SEK	864	1,133	864	1,133

Note 22 Shares and participations in group companies

Parent Company	31 Dec 2022	31 Dec 2021
Participations in group companies	10,942	6,048

Parent Company			31 Dec 2022		31 Dec 2021	
Subsidiaries	**No. of shares**	**Share**	**Book value**	**Equity**	**Book value**	**Equity**
Analyzd Technologies Ltd., Cyprus, Corp. ID HE 273011	1,000	100%	16.5	19.2	16.5	17.8
Hero Towers Limited, The United Kingdom, Corp. ID 09570325[1]	614,567	100%	1,229.3	1,229.3	1,416.5	–21.1
Klarna Australia Holding Pty Ltd., Australia, Corp. ID 635 651 722	5,000,000	100%	48.6	68.2	48.6	61.6
Klarna Austria GmbH, Austria, Corp. ID FN 387052w	1	100%	0.3	43.9	0.3	30.1
Klarna Belgium N.V., Belgium, Corp. ID 0741.431.277	61,500	100%	0.7	6.4	0.7	3.2
Klarna B.V., The Netherlands, Corp. ID 50315250	18,000	100%	0.2	76.3	0.2	53.9
Klarna Canada Limited, Canada, Corp. ID BC1268207	1	100%	-	–14.6	-	–26.3
Klarna Commercial Consulting (Shanghai) Co., Ltd., China, Corp. ID 91310000MA1FPMBGXE	-	100%	3.7	8.8	3.7	7.8
Klarna Financial Services UK Ltd, The United Kingdom, Corp. ID 14290857	1	100%	-	-	-	-
Klarna Germany Holding GmbH, Germany, Corp. ID HRB 230268	25,000	100%	2,762.5	1,357.9	2,762.5	2,164.9
Klarna Inc., The United States, Corp. ID 99-0365994[2]	-	0%	-	-	138.9	286.9
Klarna Italy S.r.l., Italy, Corp. ID 10232490960	14,248	100%	24.7	8.3	24.7	9.2
Klarna Japan KK, Japan, Corp. ID 0104-01-140886	148,201,614	100%	76.5	8.5	70.1	1.9
Klarna MAS AB, Sweden, Corp. ID 556864-9478	49,786	100%	259.0	48.1	203.0	11.6
Klarna Norge AS, Norway, Corp. ID 995 515 164	10,000	100%	0.1	108.2	0.1	82.3
Klarna OY, Finland, Corp. ID 2247127-6	2,500	100%	-	90.0	-	68.5
Klarna Participations AB (previously Ident Inkasso AB), Sweden, Corp. ID 596918-1158	50,000	100%	-	1.9	-	1.9
Klarna Payments, S.A. de C.V (previously Goldcup 1234, S.A. d C.V.)., Mexico, Corp. ID N-2021080794	14,579,672	100%	7.0	7.8	-	-
Klarna Poland sp. z o.o. Limited, Poland, Corp. ID 0000907691	100	100%	-	3.5	-	0.1
Klarna Runway Holding Inc, The United States, Corp. ID 86-2300658	100	100%	654.6	2,754.3	-	-
Klarna Securities AB, Sweden, Corp. ID 559176-9905	50,000	100%	25.5	4.6	20.5	5.3
Klarna Spain S.L., Spain, Corp. ID B88639240	3,000	100%	-	2.6	-	2.2
Klarna UK Limited, The United Kingdom, Corp. ID 08706739	1	100%	-	14.2	-	13.8
PriceRunner Group AB, Sweden, Corp. ID 559021-0851	251,721	100%	4,617.4	897.0	-	-
Search Engine Marketing Sweden AB, Sweden, Corp. ID 556809-5946[1]	1,800	100%	10.3	10.3	136.2	10.3
Stocard GmbH, Germany, Corp. ID HRB 712032	109,369	100%	1,205.2	93.4	1,205.2	83.9
Total			**10,942.1**		**6,047.7**	

[1] In 2022, shares were impaired of SEK 187m in Hero Towers Limited and SEK 126m in Search Engine Marketing Sweden AB.

[2] In 2022, Klarna Inc shares were contributed to the subsidiary Klarna Runway Holding.

For the year ending December 31, 2022 the following subsidiary company was entitled to exemption from audit under section 479A of the Companies Act 2006, United Kingdom:
Klarna UK Limited (registered number 08706739)

Group companies	Geographical area	31 Dec 2022 Total net operating income	31 Dec 2021 Total net operating income
Accolade AB	Sweden	9.8	-
Analyzd Technologies Ltd.	Cyprus	-	1.0
Hero Technologies Inc.	The United States	17.2	39.9
Hero Towers Ltd.	The United Kingdom	1,310.7	39.0
Inspirock, Inc	The United States	5.1	-
Klarna Australia Holding Pty Ltd.	Australia	1.7	9.6
Klarna Australia Pty Ltd.	Australia	17.8	15.9
Klarna Austria GmbH	Austria	83.3	73.5
Klarna Belgium N.V.	Belgium	31.9	22.9
Klarna B.V.	The Netherlands	139.8	105.4
Klarna Canada Limited	Canada	232.2	−0.4
Klarna Commercial Consulting (Shanghai) Co., Ltd.	China	9.6	4.0
Klarna Germany Holding GmbH	Germany	−946.3	−566.9
Klarna Glazing II LLC	The United States	22.4	-
Klarna Inc.	The United States	8,050.4	6,030.8
Klarna Italy S.r.l.	Italy	221.2	100.2
Klarna Japan KK	Japan	7.8	1.5
Klarna Ltd.	Israel	-	-
Klarna MAS AB	Sweden	50.9	20.0
Klarna New Zealand	New Zealand	−0.7	0.3
Klarna Norge AS	Norway	67.4	72.3
Klarna OY	Finland	46.8	54.9
Klarna Participations AB (previously Ident Inkasso AB)	Sweden	-	-
Klarna Payments, S.A. de C.V (previously Goldcup 1234, S.A. d C.V.)	Mexico	1.2	-
Klarna Poland sp. z o.o Limited	Poland	31.3	7.4
Klarna Runway Holding Inc	The United States	-	-
Klarna Securities AB	Sweden	0.1	-
Klarna Spain S.L.	Spain	137.5	47.8
Klarna UK Limited	The United Kingdom	-	-
Piggy LLC	The United States	67.0	-
PriceRunner Computer Technology Co.,Ltd	China	-	-
PriceRunner Denmark ApS	Denmark	194.6	-
PriceRunner GmbH	Germany	0.1	-
PriceRunner Group AB	Sweden	42.2	-
PriceRunner Holding AB	Sweden	80.3	-
PriceRunner International AB	Sweden	166.2	-
PriceRunner Ltd	The United Kingdom	24.2	-
PriceRunner Sweden AB	Sweden	127.4	-
Prisguiden AS	Norway	45.6	-
Search Engine Marketing Sweden AB	Sweden	-	24.8
Sofort GmbH	Germany	2,037.2	1,699.3
Sofort UK Limited	The United Kingdom	-	-
Stocard GmbH	Germany	146.1	62.4
Stocard Pty Ltd	Australia	11.1	5.9
Stocard S.à.r.l.	Luxembourg	-	-
Stocard UK Limited	The United Kingdom	−0.3	−0.2
Toplooks LLC	The United States	2.3	-

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Note 23 Intangible assets

Group	Goodwill	Brands	Licenses	Capitalized development expenses	Other intangible assets	Total
Purchase value as at January 1, 2022	**3,609**	**109**	**67**	**2,102**	**724**	**6,611**
Additions	-	-	14	928	7	**949**
Additions from business combinations	1,923	1,085	-	747	2,144	**5,899**
Sales/disposals	-	-	−1	-	-	**−1**
Reclassification	−35	-	-	-	50	**15**
Currency translation difference	230	8	-	18	16	**272**
Purchase value as at December 31, 2022	**5,727**	**1,202**	**80**	**3,795**	**2,941**	**13,745**
Amortization as at January 1, 2022	**-**	**−12**	**−58**	**−803**	**−235**	**−1,108**
Amortization for the year	-	−51	−6	−576	−179	**−812**
Sales/disposals	-	-	1	-	-	**1**
Currency translation difference	-	−2	−1	−17	−13	**−33**
Amortization as at December 31, 2022	**-**	**−65**	**−64**	**−1,396**	**−427**	**−1,952**
Impairment as at January 1, 2022	**-**	**−76**	**-**	**−17**	**-**	**−93**
Impairment for the year	-	-	-	−48	-	**−48**
Currency translation difference	-	−6	-	−2	-	**−8**
Impairment as at December 31, 2022	**-**	**−82**	**-**	**−67**	**-**	**−149**
Carrying amount as at December 31, 2022	**5,727**	**1,055**	**16**	**2,332**	**2,514**	**11,644**

Group	Goodwill	Brands	Licenses	Capitalized development expenses	Other intangible assets	Total
Purchase value as at January 1, 2021	**1,429**	**80**	**59**	**1,259**	**512**	**3,339**
Additions	-	-	2	631	10	**643**
Additions from business combinations	2,116	27	6	230	194	**2,573**
Sales/disposals	-	-	-	−27	-	**−27**
Currency translation difference	64	2	-	9	8	**83**
Purchase value as at December 31, 2021	**3,609**	**109**	**67**	**2,102**	**724**	**6,611**
Amortization as at January 1, 2021	**-**	**−6**	**−55**	**−571**	**−167**	**−799**
Amortization for the year	-	−6	−4	−249	−65	**−324**
Sales/disposals	-	-	1	21	-	**22**
Currency translation difference	-	-	-	−4	−3	**−7**
Amortization as at December 31, 2021	**-**	**−12**	**−58**	**−803**	**−235**	**−1,108**
Impairment as at January 1, 2021	**-**	**−74**	**-**	**−17**	**-**	**−91**
Currency translation difference	-	−2	-	-	-	**−2**
Impairment as at December 31, 2021	**-**	**−76**	**-**	**−17**	**-**	**−93**
Carrying amount as at December 31, 2021	**3,609**	**21**	**9**	**1,282**	**489**	**5,410**

Parent Company	Goodwill	Licenses	Capitalized development expenses	Other intangible assets	Total
Purchase value as at January 1, 2022	**463**	**58**	**1,670**	**478**	**2,669**
Additions	1,127	13	1,000	37	**2,177**
Sales/disposals	-	−1	-	-	**−1**
Currency translation difference	36	-	2	21	**59**
Purchase value as at December 31, 2022	**1,626**	**70**	**2,672**	**536**	**4,904**
Amortization as at January 1, 2022	**−328**	**−55**	**−612**	**−182**	**−1,177**
Amortization for the year	−183	−5	−413	−51	**−652**
Sales/disposals	-	1	-	-	**1**
Currency translation difference	−29	-	−1	−5	**−35**
Amortization as at December 31, 2022	**−540**	**−59**	**−1,026**	**−238**	**−1,863**
Impairment as at January 1, 2022	**-**	**-**	**-**	**-**	**-**
Impairment for the year	-	-	−48	-	**−48**
Impairment as at December 31, 2022	**-**	**-**	**−48**	**-**	**−48**
Carrying amount as at December 31, 2022	**1,086**	**11**	**1,598**	**298**	**2,993**

Parent Company	Goodwill	Licenses	Capitalized development expenses	Other intangible assets	Total
Purchase value as at January 1, 2021	**-**	**55**	**1,039**	**207**	**1,301**
Additions	-	2	630	28	**660**
Additions through merger	459	1	5	241	**706**
Sales/disposals	-	-	−4	-	**−4**
Currency translation difference	4	-	-	2	**6**
Purchase value as at December 31, 2021	**463**	**58**	**1,670**	**478**	**2,669**
Amortization as at January 1, 2021	**-**	**−51**	**−389**	**−89**	**−529**
Amortization for the year	-	−3	−220	−42	**−265**
Additions through merger	−324	−1	−4	−51	**−380**
Currency translation difference	−4	-	1	-	**−3**
Amortization as at December 31, 2021	**−328**	**−55**	**−612**	**−182**	**−1,177**
Carrying amount as December 31, 2021	**135**	**3**	**1,058**	**296**	**1,492**

Impairment testing of Goodwill and intangible assets with an indefinite useful life

The Group conducted its annual goodwill impairment test as of October 1, 2022. In performing this test all goodwill was allocated to one cash-generating unit (CGU) aligned with the Group's one operating segment. No impairment losses were identified as a result of the test as the fair value less cost of sales (FVLCS) of the CGU exceeded its carrying amount. In determining the FVLCS, the group applied a level 3 valuation methodology using a revenue multiple as a key assumption. The Group performed a sensitivity analysis and compared the key assumption to peer company valuations. No reasonably possible changes in the key assumptions that would result in an impairment loss were identified in our sensitivity analysis. As of December 31, 2022 the Group determined that no reasonably possible events occurred, or circumstances changed from October 1, 2022 to December 31, 2022 that would reduce the FVLCS of the reporting unit below its carrying amount.

There were no other intangible assets in the reporting period with an indefinite useful life.

Note 24 Tangible assets

Group	Leasehold improvements	Equipment	Total
Purchase value as at January 1, 2022	**143**	**536**	**679**
Additions	13	106	**119**
Additions from business combinations	-	6	**6**
Sales/disposals	−4	−14	**−18**
Reclassification	−5	5	**-**
Currency translation difference	12	21	**33**
Purchase value as at December 31, 2022	**159**	**660**	**819**
Depreciation as at January 1, 2022	**−40**	**−224**	**−264**
Depreciation for the year	−29	−98	**−127**
Sales/disposals	2	6	**8**
Currency translation difference	−6	−10	**−16**
Depreciation as at December 31, 2022	**−73**	**−326**	**−399**
Impairment as at January 1, 2022	**-**	**-**	**-**
Impairment for the year	−6	−6	**−12**
Impairment as at December 31, 2022	**−6**	**−6**	**−12**
Carrying amount as at December 31, 2022[1]	**80**	**328**	**408**

Group	Leasehold improvements	Equipment	Total
Purchase value as at January 1, 2021	**118**	**303**	**421**
Additions	22	223	**245**
Additions from business combinations	-	5	**5**
Sales/disposals	−1	−2	**−3**
Currency translation difference	4	7	**11**
Purchase value as at December 31, 2021	**143**	**536**	**679**
Depreciation as at January 1, 2021	**−20**	**−170**	**−190**
Depreciation for the year	−20	−51	**−71**
Sales/disposals	1	-	**1**
Currency translation difference	−1	−3	**−4**
Depreciation as at December 31, 2021	**−40**	**−224**	**−264**
Carrying amount as at December 31, 2021[1]	**103**	**312**	**415**

[1] Leases are recognized as right-of-use assets and are included in Tangible assets in the Balance sheet. On December 31, 2022, the right-of-use assets amount to SEK 1,636m (1,500m), which are disclosed in note 7, Leases.

Parent Company	Leasehold improvements	Equipment	Total
Purchase value as at January 1, 2022	121	457	578
Additions	2	85	87
Sales/disposals	-	–5	–5
Reclassification	–5	5	-
Currency translation difference	10	13	23
Purchase value as at December 31, 2022	128	555	683
Depreciation as at January 1, 2022	–31	–179	–210
Depreciation for the year	–21	–79	–100
Sales/disposals	-	2	2
Currency translation difference	–4	–6	–10
Depreciation as at December 31, 2022	–56	–262	–318
Impairment as at January 1, 2022	-	-	-
Impairment for the year	–4	–4	–8
Impairment as at December 31, 2022	–4	–4	–8
Carrying amount as at December 31, 2022[1]	68	289	357

Parent Company	Leasehold improvements	Equipment	Total
Purchase value as at January 1, 2021	100	251	351
Additions	18	203	221
Currency translation difference	3	3	6
Purchase value as at December 31, 2021	121	457	578
Depreciation as at January 1, 2021	–13	–135	–148
Depreciation for the year	–18	–43	–61
Currency translation difference	-	–1	–1
Depreciation as at December 31, 2021	–31	–179	–210
Carrying amount as at December 31, 2021[1]	90	278	368

[1] Leases are recognized as right-of-use assets and are included in Tangible assets in the Balance sheet. On December 31, 2022, the right-of-use assets amount to SEK 1,381m (1,288m), which are disclosed in note 7, Leases.

Note 25 Other assets

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Receivables from group companies	32	23	578	568
Current tax assets	359	246	67	64
VAT receivables	222	43	180	-
Derivatives	789	67	789	67
Contract assets	1,350	1,817	213	252
Other receivables	464	171	351	111
Total	**3,216**	**2,367**	**2,178**	**1,062**

For more information on derivatives, see note 26.

Note 26 Derivatives and hedge accounting

Group and Parent Company
31 Dec 2022

	Fair value		
Derivatives designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Interest rate swaps	-	−85	10,147
Total	**-**	**−85**	**10,147**

	Fair value		
Derivatives not designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Currency forwards	789	−50	42,879
Total	**789**	**−50**	**42,879**

Group and Parent Company
31 Dec 2021

	Fair value		
Derivatives not designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Currency forwards	67	−628	49,520
Interest rate swaps	-	−3	3,000
Total	**67**	**−631**	**52,520**

The Group enters into foreign exchange derivatives that are an economic hedge to manage currency risks and are not designated in a hedge accounting relationship. These derivatives are held at fair value with gains and losses recognized in Net results from financial transactions.

Derivatives designated in a hedge relationship

Fair value hedges

The Group holds short and medium term deposits from the public which are subject to changes in fair value due to fluctuations in the underlying interest rate benchmark, which is typically the most significant component of the overall fair value change. These short and medium term deposits are the hedged item. The Group uses interest rate swaps as the hedging instrument to reduce the impact of fair value changes in the hedged item due to changes in the underlying interest rate benchmark.

For hedges of interest rate risk, ineffectiveness arises due to mismatches of critical terms and / or the use of different curves to discount the hedged item and instrument, for example, a mismatch between the reset frequency of the swap and the benchmark frequency.

The Group did not enter into any hedge accounting designations in 2021.

Group and Parent Company 31 Dec 2022					
		Carrying amount			
Fair value hedges: Hedging instrument and ineffectiveness	**Nominal amount**	**Positive**	**Negative**	**Change in fair value used to calculate hedge ineffectiveness**	**Ineffectiveness recognized in Net result from financial transactions**
Interest rate risk	10,147	-	-85	-99	-1
Total	**10,147**	**-**	**-85**	**-99**	**-1**

	31 Dec 2022	**31 Dec 2021**
Fair value hedges: Designated hedged item		
Deposits from the public	10,182	-
Of which: the accumulated amount of fair value adjustment	-100	-

	Maturity 2022			**Maturity 2021**		
	Within 3 months	**> 3 months and < 12 months**	**> 12 months**	**Within 3 months**	**> 3 months and < 12 months**	**> 12 months**
Fair value hedges: Profile of the timing of the nominal amount of the hedge instrument						
Interest rate risk	189	4,457	5,501	-	-	-
Average fixed interest rate	0.50%	2.42%	2.07%	-	-	-

Note 27 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued transaction-related income	574	424	177	79
Share-based payments	42	211	-	-
Prepaid licenses	216	161	208	157
Other accrued income	90	80	23	78
Prepaid marketing	26	42	19	25
Other prepaid expenses	117	42	96	23
Accrued interest	-	-	215	45
Total	**1,065**	**960**	**738**	**407**

Note 28 Liabilities to credit institutions

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Liabilities to credit institutions	2,829	713	2,829	712
By currency				
- in SEK	1,885	25	1,885	25
- in GBP	755	-	755	-
- in EUR	180	-	180	-
- in USD	9	680	9	679
- in other currencies	-	8	-	8
Total	**2,829**	**713**	**2,829**	**712**

For maturity analysis of financial liabilities, see note 39.

Note 29 Deposits from the public

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Deposits from the public	81,068	59,670	80,760	59,409
of which: fair value adjustment for hedged risk	–100	-	–100	-
Total	**81,068**	**59,670**	**80,760**	**59,409**
By currency				
- in SEK	14,609	16,019	14,609	16,019
- in EUR	65,835	43,061	65,835	43,061
- in other currencies	624	590	316	329
Total	**81,068**	**59,670**	**80,760**	**59,409**

For maturity analysis of financial liabilities, see note 39.

Note 30 Debt securities issued

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Senior unsecured bonds	1,115	4,604	1,115	4,604
Commercial papers	22	4,193	22	4,193
Convertible promissory notes	539	326	-	-
Total	**1,676**	**9,123**	**1,137**	**8,797**

During 2022, a total of SEK 1,400m matured and SEK 2,088m were repurchased from the outstanding loans under the Medium Term Notes program.

For maturity analysis of financial liabilities, see note 39.

Note 31 Other liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accounts payable	184	184	108	119
Personnel related taxes	198	86	179	69
Liabilities to group companies	11,051	4,803	14,158	6,083
Current tax liabilities	87	86	36	65
Liabilities to retailers	6,904	5,279	5,912	4,992
Derivatives	135	631	135	631
Lease liabilities	1,757	1,486	1,461	1,270
Other liabilities	2,211	1,800	1,014	568
Total	**22,527**	**14,355**	**23,003**	**13,797**

Klarna Bank AB (publ) has received a line of credit from its parent company Klarna Holding AB (publ). The credit liability amounted to SEK 10,805m (4,652m) as of December 31, 2022 and is included in Liabilities to group companies. The line of credit is ranked pari passu with all other unsecured indebtedness.

For more information on derivatives, see note 26. For maturity analysis of financial liabilities, see note 39.

Note 32 Accrued expenses and prepaid income

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued personal and consultant related costs	696	797	578	678
Accrued marketing costs	437	585	187	369
Accrued outsourced and IT costs	352	432	309	326
Other accrued expenses and prepaid income	559	357	302	334
Accrued commission and interest costs	481	373	697	371
Accrued scoring and distribution costs	123	125	75	102
Total	**2,648**	**2,669**	**2,148**	**2,180**

For maturity analysis of financial liabilities, see note 39.

Note 33 Provisions

Group	Pensions and other post-employment obligations	Pending legal issues and tax litigations	Other provisions	Total
Provisions as at January 1, 2022	**3**	**1**	**1**	**5**
New provisions	8	10	1	**19**
Amounts used	–2	–4	-	**–6**
Provisions as at December 31, 2022	**9**	**7**	**2**	**18**

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
Provisions as at January 1, 2022	**44**	**6**	**11**	**61**
New provisions	60	11	6	**77**
Reversed provisions	–29	–23	–13	**–65**
Transfers to stage 1	13	–9	–4	**-**
Transfers to stage 2	–22	22	-	**-**
Transfers to stage 3	-	-	-	**-**
Impact on year end ECL from change in credit risk	–12	32	1	**21**
Provisions as at December 31, 2022	**54**	**39**	**1**	**94**

Group	Pensions and other post-employment obligations	Pending legal issues and tax litigations	Other provisions	Total
Provisions as at January 1, 2021	**-**	**50**	**1**	**51**
New provisions	3	1	-	**4**
Amounts used	-	–50	-	**–50**
Provisions as at December 31, 2021	**3**	**1**	**1**	**5**

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
Provisions as at January 1, 2021	**61**	**15**	**17**	**93**
New provisions	23	8	7	**38**
Reversed provisions	–40	–16	–13	**–69**
Transfers to stage 1	4	–4	-	**-**
Transfers to stage 2	-	-	-	**-**
Transfers to stage 3	-	-	-	**-**
Impact on year end ECL from change in credit risk	–4	3	-	**–1**
Provisions as at December 31, 2021	**44**	**6**	**11**	**61**

Parent Company	Pending legal issues and tax litigations	Other provisions	Total
Provisions as at January 1, 2022	**-**	**-**	**-**
New provisions	8	1	**9**
Provisions as at December 31, 2022	**8**	**1**	**9**

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
Provisions as at January 1, 2022	**48**	**5**	**12**	**65**
New provisions	60	11	6	**77**
Reversed provisions	−31	−22	−14	**−67**
Transfers to stage 1	13	−9	−4	**-**
Transfers to stage 2	−22	22	-	**-**
Transfers to stage 3	-	-	-	**-**
Impact on year end ECL from change in credit risk	−12	32	1	**21**
Other adjustments	1	-	-	**1**
Provisions as at December 31, 2022	**57**	**39**	**1**	**97**

Parent Company	Pending legal issues and tax litigations	Total
Provisions as at January 1, 2021	**50**	**50**
New provisions	-	**-**
Amounts used	−50	**−50**
Provisions as at December 31, 2021	**-**	**-**

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
Provisions as at January 1, 2021	**60**	**15**	**16**	**91**
New provisions	30	8	7	**45**
Reversed provisions	−42	−16	−12	**−70**
Transfers to stage 1	4	−4	-	**-**
Transfers to stage 2	-	-	-	**-**
Transfers to stage 3	-	-	-	**-**
Impact on year end ECL from change in credit risk	−4	2	1	**−1**
Changes to models and inputs used for ECL calculations	-	-	-	**-**
Other adjustments	-	-	-	**-**
Provisions as at December 31, 2021	**48**	**5**	**12**	**65**

Note 34 Subordinated liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Subordinated note, nominal value	300	300	300	300
Transaction expenses	−1	−1	−1	−1
Accrued interest	4	2	4	2
Total	**303**	**301**	**303**	**301**

On July 5, 2018, Klarna Bank AB (publ) issued SEK 300m of subordinated notes due 2028. The notes have a floating coupon rate corresponding to STIBOR 3M plus 3.5% per annum. The interest is paid on a quarterly basis. The notes were allocated to a limited number of large Nordic investors and the first call date is July 5, 2023.

For maturity analysis of financial liabilities, see note 39.

Note 35 Untaxed reserves

	Parent Company	
	31 Dec 2022	31 Dec 2021
Additional depreciation	-	2
Total	**-**	**2**

Note 36 Pledged assets and contingent liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Pledged assets				
Assets pledged for own liabilities				
Pledged loans to the public and credit institutions	2,717	2,767	2,717	2,767
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	1,402	-	1,402	-
Other pledged assets	34	28	-	-
Total	**4,153**	**2,795**	**4,119**	**2,767**
Contingent liabilities and commitments				
Contingent liabilities				
Guarantees	44	41	44	41
Commitments	16,339	23,587	27,944	35,051
Total	**16,383**	**23,628**	**27,988**	**35,092**

Parts of the receivables are continuously pledged as collateral for liabilities to credit institutions which provides security for the Group's credit facility. The credit liability amounted to SEK 0m (0m) as at December 31, 2022.

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 1,405m (0m) as at December 31, 2022.

Commitments contain an undrawn part of consumer credit line amounting to SEK 5,006m (16,608m) and a commitment to refund consumers in the event of returns to a defaulted retailer amounting to SEK 11,333m (6,979m) as at December 31, 2022.

Note 37 Fair value of financial assets and liabilities

The Group's basis for establishing the fair value of financial assets and liabilities are presented below:

Cash and balances with central banks: The carrying amount is a reasonable approximation of the fair value.

Treasury bills chargeable at central banks, etc., bonds and other interest-bearing securities: The fair value is based on quoted market prices for identical or similar securities.

Loans to credit institutions and loans to the public: The carrying value, presented net of credit provisions, generally approximates the fair value given the short residual maturities of the loans.

Other shares and participations: The fair value is based on quoted market prices where available or valuation techniques using unobservable data (see Note 38 Classification of financial assets and liabilities for further detail on basis).

Derivatives: The fair value is based upon input parameters which are observable from independent and reliable market data sources.

Other assets and liabilities (excluding derivatives) and Prepaid and accrued expenses and income: The fair value is the carrying amount of these financial instruments as they are short term in nature.

Liabilities to credit institutions: The carrying value generally approximates the fair value.

Deposits from the public: The fair value of fixed interest-bearing deposits from the public are grouped into maturity buckets and discounted based on prevailing market rates for debts with a similar credit risk. The fair value of deposits repayable on demand is the carrying value.

Debt securities issued and Subordinated liabilities: The fair value is based on quoted market prices where available or valuation techniques using unobservable data (see Note 38 Classification of financial assets and liabilities for further detail on basis).

The below fair values are calculated for disclosure purposes only.

	31 Dec 2022			31 Dec 2021		
Group	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Assets						
Cash and balances with central banks	16,085	16,085	-	15,811	15,811	-
Treasury bills chargeable at central banks, etc.	10,237	10,713	−476	9,714	9,744	−30
Loans to credit institutions	3,783	3,783	-	4,990	4,990	-
Loans to the public	74,151	74,151	-	62,087	62,087	-
Bonds and other interest-bearing securities	827	864	−37	1,130	1,133	−3
Other shares and participations	338	338	-	792	792	-
Other assets	497	497	-	194	194	-
Other assets (derivatives)	789	789	-	67	67	-
Prepaid expenses and accrued income	665	665	-	503	503	-
Total	**107,372**	**107,885**	**−513**	**95,288**	**95,321**	**−33**

Group	31 Dec 2022 Fair value	Carrying amount	Difference	31 Dec 2021 Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	2,829	2,829	-	713	713	-
Deposits from the public	80,707	81,068	−361	59,915	59,670	245
Debt securities issued	1,644	1,676	−32	9,122	9,123	−1
Other liabilities	22,025	22,025	-	13,461	13,461	-
Other liabilities (derivatives)	135	135	-	631	631	-
Accrued expenses and prepaid income	2,608	2,608	-	2,615	2,615	-
Subordinated liabilities	300	303	−3	307	301	6
Total	**110,248**	**110,644**	**−396**	**86,764**	**86,514**	**250**

Parent Company	31 Dec 2022 Fair value	Carrying amount	Difference	31 Dec 2021 Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	16,085	16,085	-	15,811	15,811	-
Treasury bills chargeable at central banks, etc.	10,237	10,713	−476	9,714	9,744	−30
Loans to credit institutions	991	991	-	1,965	1,965	-
Loans to the public	76,641	76,641	-	64,366	64,366	-
Bonds and other interest-bearing securities	827	864	−37	1,130	1,133	−3
Other shares and participations	338	338	-	792	792	-
Other assets	929	929	-	678	678	-
Other assets (derivatives)	789	789	-	67	67	-
Prepaid expenses and accrued income	415	415	-	201	201	-
Total	**107,252**	**107,765**	**−513**	**94,724**	**94,757**	**−33**

Parent Company	31 Dec 2022 Fair value	Carrying amount	Difference	31 Dec 2021 Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	2,829	2,829	-	712	712	-
Deposits from the public	80,399	80,760	−361	59,654	59,409	245
Debt securities issued	1,105	1,137	−32	8,796	8,797	−1
Other liabilities	22,588	22,588	-	12,947	12,947	-
Other liabilities (derivatives)	135	135	-	631	631	-
Accrued expenses and prepaid income	2,130	2,130	-	2,150	2,150	-
Subordinated liabilities	300	303	−3	307	301	6
Total	**109,486**	**109,882**	**−396**	**85,197**	**84,947**	**250**

Note 38 Classification of financial assets and liabilities into measurement categories

Group 31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
Assets				
Cash and balances with central banks	-	16,085	-	**16,085**
Treasury bills chargeable at central banks, etc.	-	10,713	-	**10,713**
Loans to credit institutions	-	3,783	-	**3,783**
Loans to the public	-	74,151	-	**74,151**
Bonds and other interest-bearing securities	-	864	-	**864**
Other shares and participations	338	-	-	**338**
Intangible assets	-	-	11,644	**11,644**
Tangible assets	-	-	2,044	**2,044**
Deferred tax assets	-	-	395	**395**
Other assets	789	497	1,930	**3,216**
Prepaid expenses and accrued income	-	665	400	**1,065**
Total	**1,127**	**106,758**	**16,413**	**124,298**

Group 31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	2,829	-	**2,829**
Deposits from the public	-	81,068	-	**81,068**
Debt securities issued	539	1,137	-	**1,676**
Deferred tax liabilities	-	-	912	**912**
Other liabilities	135	22,025	367	**22,527**
Accrued expenses and prepaid income	-	2,608	40	**2,648**
Provisions	-	-	112	**112**
Subordinated liabilities	-	303	-	**303**
Total	**674**	**109,970**	**1,431**	**112,075**

Group 31 Dec 2021	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
Assets				
Cash and balances with central banks	-	15,811	-	**15,811**
Treasury bills chargeable at central banks, etc.	-	9,744	-	**9,744**
Loans to credit institutions	-	4,990	-	**4,990**
Loans to the public	-	62,087	-	**62,087**
Bonds and other interest-bearing securities	-	1,133	-	**1,133**
Other shares and participations	792	-	-	**792**
Intangible assets	-	-	5,410	**5,410**
Tangible assets	-	-	1,915	**1,915**
Deferred tax assets	-	-	317	**317**
Other assets	67	194	2,106	**2,367**
Prepaid expenses and accrued income	-	503	457	**960**
Total	**859**	**94,462**	**10,205**	**105,526**

Group 31 Dec 2021	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	713	-	**713**
Deposits from the public	-	59,670	-	**59,670**
Debt securities issued	326	8,797	-	**9,123**
Deferred tax liabilities	-	-	183	**183**
Other liabilities	631	13,461	263	**14,355**
Accrued expenses and prepaid income	-	2,615	54	**2,669**
Provisions	-	-	66	**66**
Subordinated liabilities	-	301	-	**301**
Total	**957**	**85,557**	**566**	**87,080**

Parent Company 31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial assets and shares and participations in group companies	Total
Assets				
Cash and balances with central banks	-	16,085	-	**16,085**
Treasury bills chargeable at central banks, etc.	-	10,713	-	**10,713**
Loans to credit institutions	-	991	-	**991**
Loans to the public	486	76,155	-	**76,641**
Bonds and other interest-bearing securities	-	864	-	**864**
Shares and participations in group companies	-	-	10,942	**10,942**
Other shares and participations	338	-	-	**338**
Intangible assets	-	-	2,993	**2,993**
Tangible assets	-	-	1,738	**1,738**
Deferred tax assets	-	-	61	**61**
Other assets	789	929	460	**2,178**
Prepaid expenses and accrued income	-	415	323	**738**
Total	**1,613**	**106,152**	**16,517**	**124,282**

Parent Company 31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	2,829	-	**2,829**
Deposits from the public	-	80,760	-	**80,760**
Debt securities issued	-	1,137	-	**1,137**
Deferred tax liabilities	-	-	86	**86**
Other liabilities	135	22,588	280	**23,003**
Accrued expenses and prepaid income	-	2,130	18	**2,148**
Provisions	-	-	106	**106**
Subordinated liabilities	-	303	-	**303**
Total	**135**	**109,747**	**490**	**110,372**

Parent Company 31 Dec 2021	Fair value through profit or loss	Amortized cost	Non-financial assets and shares and participations in group companies	Total
Assets				
Cash and balances with central banks	-	15,811	-	**15,811**
Treasury bills chargeable at central banks, etc.	-	9,744	-	**9,744**
Loans to credit institutions	-	1,965	-	**1,965**
Loans to the public	279	64,087	-	**64,366**
Bonds and other interest-bearing securities	-	1,133	-	**1,133**
Shares and participations in group companies	-	-	6,048	**6,048**
Other shares and participations	792	-	-	**792**
Intangible assets	-	-	1,492	**1,492**
Tangible assets	-	-	1,656	**1,656**
Deferred tax assets	-	-	44	**44**
Other assets	67	678	317	**1,062**
Prepaid expenses and accrued income	-	201	206	**407**
Total	**1,138**	**93,619**	**9,763**	**104,520**

Parent Company 31 Dec 2021	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	712	-	**712**
Deposits from the public	-	59,409	-	**59,409**
Debt securities issued	-	8,797	-	**8,797**
Deferred tax liabilities	-	-	65	**65**
Other liabilities	631	12,947	219	**13,797**
Accrued expenses and prepaid income	-	2,150	30	**2,180**
Provisions	-	-	65	**65**
Subordinated liabilities	-	301	-	**301**
Total	**631**	**84,316**	**379**	**85,326**

The following table shows the financial assets and liabilities measured at fair value, divided into the three valuation levels. For description of the fair value levels, see note 2, Accounting principles, section 11. No transfers between levels have been made during 2022.

Group 31 Dec 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Other shares and participations	67	-	271	**338**
Other assets (derivatives)	-	789	-	**789**
Total	**67**	**789**	**271**	**1,127**
Financial liabilities				
Debt securities issued	-	-	539	**539**
Other liabilities (derivatives)	-	135	-	**135**
Total	**-**	**135**	**539**	**674**

Group 31 Dec 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Other shares and participations	530	-	262	**792**
Other assets (derivatives)	-	67	-	**67**
Total	**530**	**67**	**262**	**859**
Financial liabilities				
Debt securities issued	-	-	326	**326**
Other liabilities (derivatives)	-	631	-	**631**
Total	**-**	**631**	**326**	**957**

Parent Company 31 Dec 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	486	**486**
Other shares and participations	67	-	271	**338**
Other assets (derivatives)	-	789	-	**789**
Total	**67**	**789**	**757**	**1,613**
Financial liabilities				
Other liabilities (derivatives)	-	135	-	**135**
Total	**-**	**135**	**-**	**135**

Parent Company 31 Dec 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	279	**279**
Other shares and participations	530	-	262	**792**
Other assets (derivatives)	-	67	-	**67**
Total	**530**	**67**	**541**	**1,138**
Financial liabilities				
Other liabilities (derivatives)	-	631	-	**631**
Total	**-**	**631**	**-**	**631**

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	**262**	**326**
Gain/loss in income statement[1]	−24	20
of which: unrealized gain/loss	−24	20
Issuances	-	168
Impact of foreign exchange movements	33	25
Balance as at December 31, 2022	**271**	**539**

Group	**Financial assets**	**Financial liabilities**
	Other shares and participations	**Debt securities issued**[2]
Balance as at January 1, 2021	**20**	**186**
Gain/loss in income statement[1]	−20	4
of which: unrealized gain/loss	−20	4
Purchases	252	-
Issuances	-	134
Impact of foreign exchange movements	10	2
Balance as at December 31, 2021	**262**	**326**

[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	**262**	**279**
Gain/loss in income statement[1]	−24	26
of which: unrealized gain/loss	−24	26
Issuances	-	156
Impact of foreign exchange movements	33	25
Balance as at December 31, 2022	**271**	**486**

Parent Company	Financial assets	
	Other shares and participations	Loans to the public[2]
Balance as at January 1, 2021	**20**	**139**
Gain/loss in income statement[1]	−20	−2
of which: unrealized gain/loss	−20	−2
Purchases	252	-
Issuances	-	136
Impact of foreign exchange movements	10	6
Balance as at December 31, 2021	**262**	**279**

[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.

The impact of a 10% increase in the valuation of Other shares and participations would increase assets by SEK 27m (26m). The impact of a 10% decrease would decrease assets by SEK 27m (26m).

The impact of a 10% increase in valuation inputs of Debt securities issued would increase liabilities by SEK 10m (5m). The impact of a 10% decrease would decrease liabilities by SEK 10m (5m).

The impact of a 10% increase in valuation inputs of Loans to the public would increase assets by SEK 9m (4m). The impact of a 10% decrease would decrease assets by SEK 9m (4m).

Note 39 Maturity analysis for financial assets and liabilities

Group	31 Dec 2022			31 Dec 2021		
	Expected to be recovered or settled:			Expected to be recovered or settled:		
Contractual undiscounted cash flows	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities to credit institutions	2,844	-	**2,844**	715	-	**715**
Deposits from the public	63,227	18,804	**82,031**	41,267	19,034	**60,301**
Debt securities issued	718	994	**1,712**	5,651	3,566	**9,217**
Other liabilities	9,553	12,750	**22,303**	8,112	6,372	**14,484**
Accrued expenses and prepaid income	2,490	118	**2,608**	2,416	199	**2,615**
Subordinated liabilities	16	374	**390**	11	360	**371**
Total	**78,848**	**33,040**	**111,888**	**58,172**	**29,531**	**87,703**

Parent Company	31 Dec 2022			31 Dec 2021		
	Expected to be recovered or settled:			Expected to be recovered or settled:		
Contractual undiscounted cash flows	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities to credit institutions	2,843	-	**2,843**	715	-	**715**
Deposits from the public	62,925	18,798	**81,723**	41,008	19,032	**60,040**
Debt securities issued	717	456	**1,173**	5,651	3,241	**8,892**
Other liabilities	10,299	12,557	**22,856**	7,747	6,127	**13,874**
Accrued expenses and prepaid income	2,022	108	**2,130**	1,954	196	**2,150**
Subordinated liabilities	16	374	**390**	11	361	**372**
Total	**78,822**	**32,293**	**111,115**	**57,086**	**28,957**	**86,043**

Parent Company Contractual undiscounted cash flows 31 Dec 2022	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Loans to credit institutions	990	-	-	1	-	**991**
Loans to the public	24,724	33,324	18,642	10,265	1	**86,956**
Total assets	**25,714**	**33,324**	**18,642**	**10,266**	**1**	**87,947**
Liabilities to credit institutions	669	1,406	769	-	-	**2,844**
Deposits from the public	21,696	8,746	32,484	18,798	-	**81,724**
Debt securities issued	-	33	685	456	-	**1,174**
Total liabilities	**22,365**	**10,185**	**33,938**	**19,254**	**-**	**85,742**

Parent Company Contractual undiscounted cash flows 31 Dec 2021	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Loans to credit institutions	1,965	-	-	-	-	**1,965**
Loans to the public	17,964	23,378	17,137	12,708	1	**71,188**
Total assets	**19,929**	**23,378**	**17,137**	**12,708**	**1**	**73,153**
Liabilities to credit institutions	35	-	680	-	-	**715**
Deposits from the public	20,744	8,134	12,130	19,032	-	**60,040**
Debt securities issued	-	2,978	2,673	3,241	-	**8,892**
Total liabilities	**20,779**	**11,112**	**15,483**	**22,273**	**-**	**69,647**

Of the treasury bills chargeable at central banks, etc., SEK 3,414m (3,649m) have a remaining maturity of up to one year. Of the bonds and other interest-bearing securities, SEK 360m (271m) have a remaining maturity of up to one year.

Note 40 Interest received and paid

	Group		Parent Company	
	2022	2021	2022	2021
Interest payments received	4,004	3,721	4,001	3,747
Interest expenses paid	−839	−592	−837	−590

Note 41 Share-based payments

Employee Restricted Stock Unit Program
Klarna's Restricted Stock Unit Program (the "RSU Program") was implemented in 2020. It is open to all employees and entails a gratuitous granting of Restricted Stock Units ("RSUs") in relation to an ownership interest in Klarna Bank AB (publ). Each participant is granted a set number of RSUs at the grant date, which vest over a four-year graded vesting schedule, with 25% of the shares vesting annually. Should the participant end their employment within the group, unvested RSUs will be forfeited.

The number of shares distributed to employees under the RSU Program is approved by the Board of Directors of Klarna Holding AB (publ). The share-based compensation expense is based on the grant-date fair value of the awards and recognized over the vesting period, in line with the graded vesting schedule.

On vesting, the company is, in accordance with certain countries' tax law, required to withhold an amount to settle the employee's tax and social security liabilities associated with a share-based payment and transfer that amount in cash to the tax authority on the employee's behalf. Such amounts are withheld from employees in accordance with applicable laws, either through deduction of salary or withholding a number of vested shares.

Employee Stock Warrants
In certain jurisdictions the Group offers share-based payments to certain employees in the form of stock warrants. The warrants are subject to graded vesting over a term of typically four to five years. The awards are accounted for as equity-settled share-based payments, with the fair value determined at the grant date and expensed over the vesting period, based on the Group's estimate of the number of awards that will eventually vest. One warrant entitles the recipient to purchase one ordinary share in Klarna Holding AB (publ) at the agreed strike price.

Certain warrants have been acquired by employees in exchange for a cash payment of the fair market value at grant date. Since pre-emption rights related to these awards transfer over a specified period they are accounted for as equity settled share-based payments, however no associated expense is recognized.

Non-Employee Stock Warrants
Klarna has granted stock warrants to certain non-employee participants. The vesting periods associated with these grants range from one year to five years. The warrants are accounted for as equity settled share-based payments and recorded as an expense over the relevant service or vesting periods. The fair market value of services provided has been determined with reference to the fair market value of the instruments as measured at the date when the services are provided.

Employee Restricted Shares
Klarna has a restricted share award scheme in which some employees have acquired restricted shares in a group entity that retains an ownership interest in Klarna Bank AB (publ). The term of the program will conclude in 2023. The restricted share awards are accounted for as an equity settled share-based payment. The restricted shares were acquired by employees in exchange for a cash payment at fair market value, measured at the grant date and therefore no associated expense is recognized. On conclusion of the program there will be no impact on non-controlling interest since the effect is already reflected in the minority interest at the balance sheet date.

Other Equity Awards
During 2022 the Group issued 2,955 (50,144) equity instruments in relation to business acquisitions. The instruments are granted to specific individuals of the acquired companies and entitle the recipient to one ordinary share in Klarna Holding AB (publ). There is a four year vesting period associated with these instruments, and they are accounted for as equity-settled share-based payment compensation and recognized as a post business combination expense. During the year, 23,275 (-) equity instruments were released related to employees leaving Klarna. The future personnel costs associated with the released equity instruments were expensed in the income statement at the last day of employment. The instruments have been measured based on the fair market value of the underlying ordinary shares at the date of grant.

Details regarding the Group's RSU program and other contingent equity instruments are outlined in the table below:

	Restricted stock units		Other equity awards	
Group	Number of RSUs	Weighted average fair value at grant SEK	Number of shares	Weighted average fair value at grant SEK
January 1, 2022	**2,212,311**	**134**	**50,144**	**11,135**
Granted during the year	8,857,384	54	2,955	14,798
Released during the year	−854,828	116	−23,275	14,789
Forfeited during the year	−1,669,880	86	-	-
December 31, 2022	**8,544,987**	**63**	**29,824**	**8,646**

	Restricted stock units		Other equity awards	
Group	Number of RSUs	Weighted average fair value at grant SEK	Number of shares	Weighted average fair value at grant SEK
January 1, 2021	**40,536**	**2,328**	**-**	**-**
Granted during the year	1,348,636	47	50,144	11,135
Share split during the year	1,986,264	195	-	-
Released during the year	−877,878	46	-	-
Forfeited during the year	−285,247	75	-	-
December 31, 2021	**2,212,311**	**134**	**50,144**	**11,135**

Additional detail on employee and non-employee stock warrant programs is outlined in the tables below:

Group	Stock warrants	
	Number of warrants	Weighted average exercise price SEK
January 1, 2022	**536,519**	**2,385**
Granted during the year	1,432,287	6,218
Forfeited during the year	−35,723	3,461
December 31, 2022	**1,933,083**	**5,206**

Group	Stock warrants	
	Number of warrants	Weighted average exercise price SEK
January 1, 2021	**457,949**	**1,509**
Granted during the year	155,396	4,161
Exercised during the year[1]	−41,000	1,033
Forfeited during the year	−35,826	1,627
December 31, 2021	**536,519**	**2,385**

[1] The weighted average share price at the date of exercise of these warrants was SEK 14,789.

The range of exercise prices for warrants outstanding at the end of the year is between 1 and 14,789 SEK (1 to 14,789 SEK). The weighted average remaining contractual life for warrants is 4.1 years (3). The number of exercisable warrants amounts to 11,500 (11,500) as at 31 December 2022.

Klarna uses the Black Scholes options pricing model when calculating the fair value of warrant programs. The below table outlines the inputs used within the model:

Group	Stock warrants	
	2022	2021
Expected volatility (%)	30	25 - 28
Risk-free interest rate (%)	2.2 - 2.5	-0.3 - 0
Expected term (years)	3.4 - 3.7	3.5 - 4.0
Weighted average share price (SEK)	2,305	6,474

Expected volatility has been assessed with reference to the historic share price volatility of companies within Klarna's peer group.

The weighted average fair value of warrants granted during the year was 116 SEK (2,691 SEK).

The total expense recognized in the profit and loss statement in relation to share-based payments is 461m (416m).

Note 42 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 year, 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 senior management personnel.
The following transactions have taken place with related parties:

2022	Klarna Holding	Subsidiaries
Related parties - revenues and expenses		
Interest income	-	363
Interest expenses	−113	−120
Services sold, sales	25	1,908
Services purchased	-	−5,553
Group contribution received	-	-

31 Dec 2022	Klarna Holding	Subsidiaries
Related parties - assets and liabilities		
Loan receivables	-	13,048
Other receivables	32	792
Loan liabilities	11,051	13,755
Other liabilities	-	621

2021	Klarna Holding	Subsidiaries
Related parties - revenues and expenses		
Interest income	-	112
Interest expenses	−156	−183
Services sold, sales	-	1,579
Services purchased	-	−4,332
Group contribution received	-	125

31 Dec 2021	Klarna Holding	Subsidiaries
Related parties - assets and liabilities		
Loan receivables	1	9,699
Other receivables	-	612
Loan liabilities	4,803	6,065
Other liabilities	-	197

In 2021, Search Engine Marketing Sweden AB gave a group contribution of SEK 125m to Klarna Bank AB (publ). There were no group contributions in 2022.

Intragroup services are handled in accordance with the internationally recognized arm's length principle, meaning that Klarna Bank AB (publ) and its subsidiaries are remunerated or pay for intragroup services in a manner corresponding to market terms.

For information about transactions with the Board of Directors, CEO, and senior management, see note 11.

Note 43 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 -4,508m as a result of operating losses (SEK 10,292m) and an increase in the deduction of Intangible assets (SEK -3,999m) mainly due to the acquisition of PriceRunner. The decrease is partially offset by an equity raise (USD 800m) in the second half of the year. Klarna Holding AB (publ) reported a CET1 capital amount of SEK 14,865m as of December 31, 2022.

Additional Tier 1 capital

Klarna Bank AB (publ) issued, in May 2017, SEK 250m in Additional Tier 1 capital instruments. They had 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 capital need 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 December 2022 amounts to SEK 9,677m (8,229m) for Klarna Bank AB (publ) and SEK 8,230m (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 is in accordance with the requirements in Commission Implementing Regulation (EU) No 2021/637 and the Swedish Financial Supervisory Authority (Finansinspektionen) requirements FFFS 2014:12, and 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). As of December 31, 2022 an amount of SEK 170m Additional Tier 1 capital and SEK 256m Tier 2 capital instruments issued by Klarna Bank AB (publ) were included in the Own funds of Klarna Holding Group.

Capital adequacy information	Consolidated situation 31 Dec 2022	Consolidated situation 31 Dec 2021	Klarna Bank AB (publ) 31 Dec 2022	Klarna Bank AB (publ) 31 Dec 2021
Own funds, total risk exposure amount and total leverage ratio exposure				
Common Equity Tier 1 capital	14,865	19,373	12,613	19,170
Tier 1 capital	15,292	19,713	12,889	19,420
Own funds	15,548	19,855	13,191	19,722
Total risk exposure amount	68,597	61,836	80,078	69,647
Total leverage ratio exposure	119,462	105,225	127,312	108,774
Capital adequacy analysis				
Common Equity Tier 1 capital ratio	21.7%	31.3%	15.8%	27.5%
Tier 1 capital ratio	22.3%	31.9%	16.1%	27.9%
Total capital ratio	22.7%	32.1%	16.5%	28.3%
Leverage ratio	12.8%	18.7%	10.1%	17.9%
Combined buffer requirement incl, the requirements of 575/2013 Art, 92(1)(a)	7.5%	7.0%	7.5%	7.0%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	0.5%	0.0%	0.5%	0.0%
Common Equity Tier 1 capital available to meet buffers	17.2%	26.8%	11.3%	23.0%
Exposure amounts for credit risk according to the standardized approach				
Credit risk including counterparty credit risk	108,144	104,589	115,597	107,167
of which: central governments or central banks	16,982	17,110	16,645	16,886
of which: regional governments or local authorities	5,063	3,874	5,063	3,874
of which: multilateral development banks	5,436	4,877	5,436	4,877
of which: institutions	4,695	6,220	1,868	3,133
of which: corporates	7,785	6,369	17,935	14,044
of which: retail	59,690	58,554	51,227	52,173
of which: exposures in default	572	732	551	672
of which: covered bonds	864	1,133	864	1,133
of which: equity	338	792	11,280	6,840
of which: other items	6,719	4,928	4,728	3,535
Total exposure amount	**108,144**	**104,589**	**115,597**	**107,167**
Risk exposure amounts according to the standardized approach				
Credit risk including counterparty credit risk	62,119	58,919	73,816	65,398
of which: institutions	939	1,253	374	636
of which: corporates	7,703	6,296	17,854	13,985
of which: retail	44,768	43,916	38,421	39,130
of which: exposures in default	598	762	577	701
of which: covered bonds	86	113	86	113
of which: equity	744	1,185	11,686	7,232
of which: other items	7,281	5,394	4,818	3,601
Securitization positions	1,131	-	1,131	-
Market risk	1,478	656	1,023	2,038
of which: foreign exchange risk	1,478	656	1,023	2,038
Operational risk	3,742	2,252	3,981	2,202
Credit valuation adjustments	127	9	127	9
Total risk exposure amount	**68,597**	**61,836**	**80,078**	**69,647**

	Consolidated situation		Klarna Bank AB (publ)	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Total minimum capital requirements				
Credit risk including counterparty credit risk	4,970	4,714	5,905	5,232
of which: institutions	75	100	30	51
of which: corporates	616	504	1,428	1,119
of which: retail	3,583	3,513	3,074	3,130
of which: exposures in default	48	61	46	56
of which: covered bonds	7	9	7	9
of which: equity	59	95	935	579
of which: other items	582	432	385	288
Securitization positions	90	-	90	-
Market risk	118	52	82	163
of which: foreign exchange risk	118	52	82	163
Operational risk	299	180	318	176
Credit valuation adjustments	10	1	10	1
Total capital requirement	**5,487**	**4,947**	**6,405**	**5,572**
Own funds disclosure				
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts	41,553	32,237	30,048	26,366
Retained earnings	−8,666	−1,649	−8,473	−2,427
Accumulated other comprehensive income (and other reserves)	1,155	324	935	1,051
Common Equity Tier 1 capital before regulatory adjustments	**34,042**	**30,912**	**22,510**	**24,990**
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	−2	−1	−1	−1
Intangible assets (net of related tax liability)	−9,948	−5,949	−1,877	−773
Losses for the current financial year	−10,292	−7,017	−8,876	−6,046
IFRS 9 transitional adjustments to CET1 Capital	1,343	1,436	1,115	1,000
Deferred tax assets rely on future profitability	−20	−8	-	-
Securitization positions alternatively subject to a 1250% risk weight	−258	-	−258	-
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	**−19,177**	**−11,539**	**−9,897**	**−5,820**
Common Equity Tier 1 (CET1) capital	**14,865**	**19,373**	**12,613**	**19,170**
Additional Tier 1 (AT1) capital instruments				
Capital instruments and the related share premium accounts	257	256	276	250
of which: classified as equity under applicable accounting standards	257	256	276	250
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	170	84	-	-
Total Additional Tier 1 (AT1) capital instruments	**427**	**340**	**276**	**250**
Tier 1 capital	**15,292**	**19,713**	**12,889**	**19,420**
Tier 2 (T2) capital instruments				
Capital instruments and the related share premium accounts	-	-	302	302
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	256	142	-	-
Total Tier 2 (T2) capital instruments	**256**	**142**	**302**	**302**
Own funds	**15,548**	**19,855**	**13,191**	**19,722**

Note 44 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 goodwill primarily refers to PriceRunner's market position, growth through additional merchants and Klarna synergies.

From the date of acquisition until Dec 31, 2022, PriceRunner Group AB and its wholly-owned subsidiaries contributed by SEK 437m, net, to the Group's total operating revenues. The total effect on the Group's net result is SEK 72m. 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.

PriceRunner Group AB	Purchase Price Allocation
Loans to credit institutions	171
Loans to the public	27
Intangible assets	3,446
Tangible assets	15
Other assets	141
Other liabilities	−395
Deferred tax liability	−711
Net identifiable assets and liabilities	**2,694**
Goodwill	1,923
Consideration	**4,617**

Klarna Runway Holding Inc, 2022
On November 1, 2022, Klarna Bank AB (publ) acquired 100% of the shares in Klarna Runway Holding Inc from Klarna Holding AB (publ). The acquisition is a combination of entities under common control.

Klarna Runway Holding Inc holds shares in Klarna's US-based entities, Toplooks LLC, Piggy LLC, Inspirock Inc and Klarna Glazing II LLC.

The total consideration was SEK 515m and was settled by a contribution into Klarna Bank AB (publ) in exchange for new shares. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, SEK 516m has been recorded to intangible assets, SEK 72m to deferred tax liabilities and SEK 71m refers to other net assets. No goodwill has been recognized in the acquisition.

Note 45 Significant events after the end of the reporting period

On 10 January 2023, 7,272,875 shares were registered in Klarna Bank AB (publ) and issued to Klarna Holding AB (publ) relating to a capital contribution amounting to SEK 2,002m made in November 2022 by Klarna Holding AB (publ).

On 23 February 2023, Klarna Bank AB (publ) resolved to issue 7,272,875 shares to Klarna Holding AB (publ) following receipt of a capital contribution amounting to SEK 2,002m made in January 2023 by Klarna Holding AB (publ).

No other significant events have occurred after the closing date.

Definitions and Abbreviations

Adjusted Operating Result*
The adjusted operating result is defined as IFRS operating result, excluding (a) Restructuring costs; (b) Share-based payments and related payroll taxes and; (c) Depreciation and amortization. Klarna believes this is a useful financial measure to investors for evaluating its operating result and supports period-to-period comparisons as the items excluded generally are not a function of the Company's operating performance.

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 reporting period.

Equity/assets ratio*
Equity adjusted for untaxed reserves as a percentage of total assets at the end of the reporting 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.

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.

Revenue*
Defined as IFRS Total Operating Income 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 (see note 5).

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.

Board of Directors' affirmation

The Board of Directors and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS/IAS) referred to in the European parliament and the councils' regulation (EC) 1606/2002, from July 19, 2002, on the application of International Accounting Standards. They give a true and fair view of the Parent Company's and the Group's financial position and result. It is further assured that the report of the Board of Directors gives a true and fair overview of the development of the Parent Company's and Group's business activities, financial position and results of operations as well as describes the material risks and uncertainties that the Parent Company and its subsidiaries are facing.

Stockholm, February 24, 2023

Michael Moritz Chairman of the Board	Mikael Walther Board member	Lise Kaae Board member
Sarah Smith Board member	Roger Ferguson Board member	Omid Kordestani Board member
	Sebastian Siemiatkowski CEO and Board member	

Our audit report was submitted on :
Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant

Auditor's report – translated from Swedish signed version

To the general meeting of the shareholders of Klarna Bank AB (publ), corporate identity number 556737-0431

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Klarna Bank AB (publ) for the year 2022 except for the corporate governance report on pages 6-24.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance report on pages 6-24. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Allowance for expected credit losses for loans to the public

Description	*How our audit addressed this key audit matter*
As of 31 December 2022, loans to the public were SEK 74 151 million and SEK 76 641 million for the consolidated accounts and parent company respectively, and the corresponding allowance for expected credit losses was SEK 4 154 million and SEK 3 436 million. As explained in note 2 and note 14, the allowance for credit losses is calculated either as 12 months expected credit loss or lifetime expected credit loss. The ECL allowance is based on the latter if there has been a significant increase in credit risk since initial recognition. When calculating ECL on a collective basis, the ECL components are calculated based on segmentation which is built on shared risk characteristics. The probability of default (PD) component is segmented by geographical region, instrument type and by days since origination. The loss given default (LGD) component is dependent on geographical region, retailer type, days past due, and, in some cases, recoveries from the sale of non-performing portfolios. Given the complexity of the calculation and that it requires management to make key judgements and assumptions, the allowance for expected credit losses for loans to the public is a key audit matter.	We have performed a walkthrough of the process for estimating the allowance for expected credit losses as well as performed testing of IT general controls of the systems that are relevant for the process. We have examined management's analysis of expected credit losses, reviewed underlying model documentation and evaluated the outcome of management's model validation procedures. We have tested, on a sample basis, the underlying data used in the supporting calculations including review of PD and LGD components and segmentation. We have examined and assessed the assumptions and parameters used in the models and compared actual losses to expected. Additionally, we have reviewed the disclosures related to the allowance for expected credit losses for loans to the public.

Business combination

Description	*How our audit addressed this key audit matter*
As described in note 44, acquired identifiable intangibles and goodwill recognized totaled SEK 3 446 million and SEK 1 923 million respectively. The purchase consideration is a combination of cash and shares. As explained in note 2 of the consolidated accounts the allocation of the purchase price paid for acquired businesses to the identified acquired intangible assets is performed using valuation techniques that require management to estimate, for example, useful economic lives, cash flow associated with the assets and asset specific discount rates. Due to the significant judgement applied by management in determining the fair value of the assets acquired, the share consideration issued, and the significance of the goodwill and intangible assets balances recognized, business combinations is a key audit matter.	We have performed a walkthrough of the process for accounting for business combinations. We obtained and reviewed purchase agreements and management's accounting documentation, including key judgments and assumptions. We tested the mathematical accuracy of management's calculations, tested the completeness of the consideration by reviewing the purchase agreements and comparing to fair value estimates. We assessed the methodology adopted by management for calculating the fair value of intangible assets and performed procedures over the key assumptions in the valuation models, particularly in respect to: ‣ Assessed the competence, capabilities, and objectivity of the expert engaged by management. ‣ Involved our valuation specialists to review the valuation analyses, including the valuation methodology and key underlying assumptions Additionally, we have reviewed the disclosures related to business combinations.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Klarna Bank AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 6-24 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 *The auditor´s examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Hamngatan 26, 111 47 Stockholm, was appointed auditor of Klarna Bank AB (publ) by the general meeting of the shareholders on May 6, 2022 and has been the company's auditor since May 25, 2016.

Stockholm February 24, 2023

Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant