

Interim Report

January - June 2023



Contents

Financial information	3
To our shareholders	4
Highlights of the period	6
Business overview	8
Group company financials	11
Notes with accounting principles	19



Financial information

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

Strong performance of the business over the year has delivered:

+17%

Revenue
YoY growth, Q223

SEK **5.5bn**

Revenue
Q223

+14%

Gross Merchandise Volume ¹
YoY growth, Q223

SEK **239bn**

Gross Merchandise Volume
Q223

77%

Operating result improvement
YoY Q223

0.41%

Credit loss rate ²
Q223

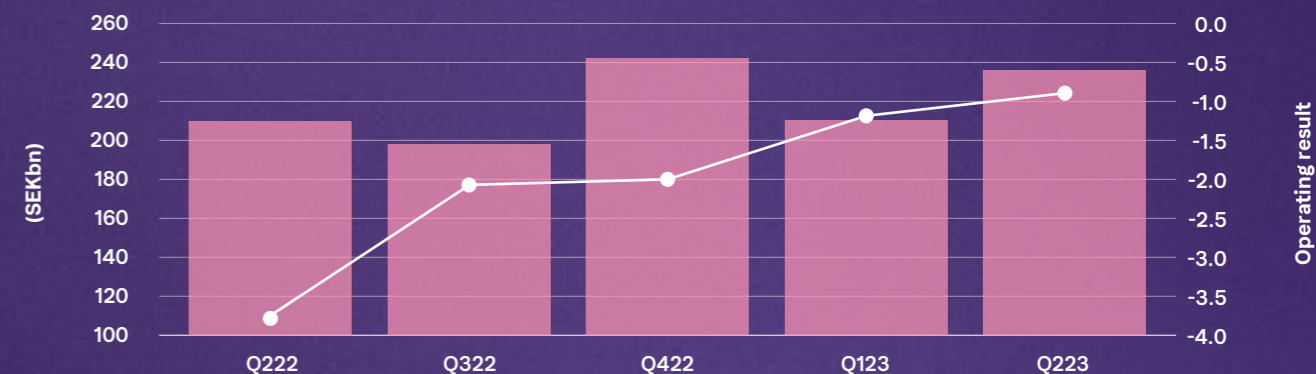
150m

Global consumers

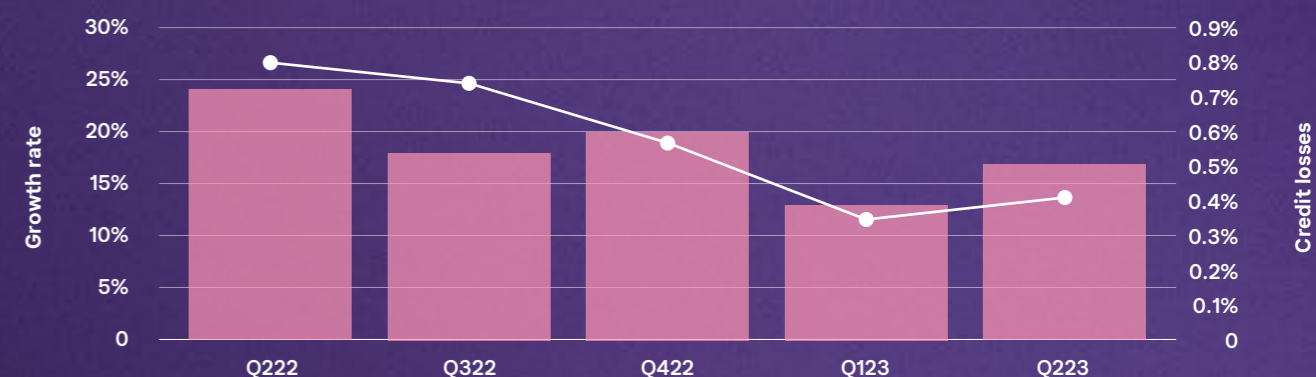
500k+

Global retail partners

GMV & EBT



Revenue & credit losses



Amounts in SEKbn ³	FY21	FY22	Q122	Q222	Q322	Q422	Q123	Q223	Q2 YoY
Gross merchandise volume	689.1	837.3	187.0	209.2	199.0	242.0	210.7	238.6	14%
Klarna Holding income statement									
Revenue	15.9	19.3	4.4	4.7	4.6	5.6	4.9	5.5	17%
Total net operating income	13.9	16.7	3.6	4.0	4.1	5.0	4.4	4.8	21%
Total operating expenses before credit losses	-15.9	-21.5	-5.0	-6.1	-4.8	-5.6	-4.7	-4.6	-24%
(-) Restructuring costs and share-based payments (incl. payroll taxes)	-0.6	-1.0	-0.2	-0.5	-0.1	-0.3	-0.3	-0.3	-28%
(-) Depreciation and amortization	-0.7	-1.6	-0.3	-0.4	-0.5	-0.5	-0.4	-0.4	6%
Adj. operating expenses before credit losses	-14.5	-18.8	-4.5	-5.2	-4.2	-4.9	-4.1	-3.8	-26%
Credit losses, net	-4.6	-5.7	-1.2	-1.7	-1.5	-1.4	-0.8	-1.0	-41%
Adj. operating result (Non-IFRS)	-5.2	-7.8	-2.2	-2.9	-1.6	-1.2	-0.5	0.0	-100%
Net result for the period	-7.1	-10.4	-2.6	-3.8	-2.2	-1.9	-1.3	-0.9	-77%
Net result for the period - Klarna Bank AB	-7.1	-10.2	-2.6	-3.6	-2.1	-1.9	-1.3	-0.9	-75%
Key ratios									
Take Rate (Revenue/GMV)	2.31%	2.31%	2.34%	2.26%	2.31%	2.33%	2.35%	2.31%	2%
Credit loss rate	-0.67%	-0.68%	-0.64%	-0.80%	-0.74%	-0.58%	-0.37%	-0.41%	-49%
Adj. Cost income ratio	-104%	-113%	-127%	-130%	-102%	-97%	-93%	-79%	-39%
Cost income ratio	-114%	-128%	-139%	-152%	-116%	-112%	-109%	-96%	-37%

¹ Total monetary value of sold products and services through Klarna over a given period of time.

² Credit losses as a % of GMV.

³ Adjusted operating results are defined as IFRS operating results, excluding restructuring costs, share-based payments, related payroll taxes, Depreciation, amortization and impairment of intangible and tangible assets. A reconciliation of adjusted operating result to IFRS operating result can be found on p10 of this report.

To our shareholders



To our shareholders

Dear shareholders,

I find I'm writing this letter in yet another year of unexpected and transformative change. I couldn't imagine at the start of the year the changes generative AI would bring to Klarna or how it would disrupt businesses of every kind across the globe so fast.

Return to profitability

It's also very different in the sense that I can now talk about Klarna's return to profitability in real terms. Fast-forward from our pledge a year ago to return to profitability, and here we are marking our first month in the black in Q223 and smashing our targets ahead of schedule!

Also our continued awesome success in the US means we have seen our third consecutive quarter of gross profit after three years of intense focus on winning in one of the world's largest consumer markets. This was driven in part by Klarna's new partnership with Airbnb, which will expand from the US to European markets within the coming weeks. Klarna continues to succeed in all markets it enters, with the focus on winning the US over the past couple of years continuing to pay off.

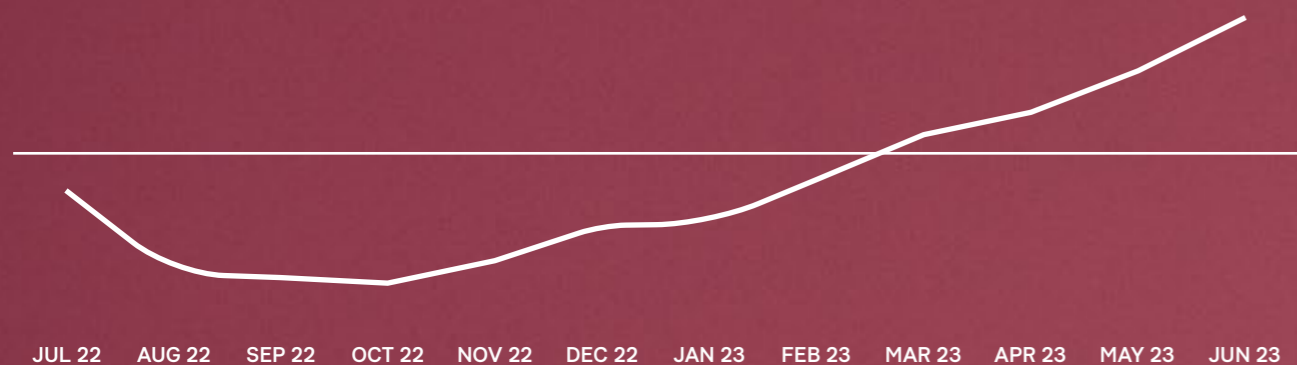
Our robust growth stems from our established strategy: we start by familiarizing ourselves

with the market, cultivating trust, and as returning consumers increase, we achieve profitability.

This model, tried and tested, has brought us success in every market we've entered, underlining the strength of our approach.

Our results clearly rebut the misconceptions around Klarna's business model, evidencing that it is incredibly agile and sustainable, as we support our healthy consumer base in making sound financial decisions. Some claimed Klarna would face difficulties in the tough macro-economic climate with high interest rates, but having led the company through the 2008 financial crisis I knew we had a robust business model to see us through. Despite the volatile environment we have done exactly what we set out to do, showing that we know which levers to pull to get back to profitability.

US cumulative monthly gross profit last 12 months (SEKm)



Our success is also a testament to the passion and determination of the Klarna team, our indomitable Klarnauts, who thrive on rising to every challenge thrown at them.

For Klarna this is another inflection point in our incredible journey. We celebrated our 18th birthday this year, which is such a milestone

and certainly gave me pause for reflection. From growing from the seed of an idea while at university, to a successful and profitable Swedish business, to becoming a global brand consumers love and retailers truly value, with the backing of our investors - it feels right that this is the moment the next phase of Klarna begins.

Accelerating our mission with AI

For Klarna, AI will turbo-charge our mission to transform banking to be rooted in customer value, not customer revenue, and it will revolutionize the way we shop. But, among the many positives, we also need to acknowledge the more uncomfortable societal changes AI will present.

Goldman Sachs recently estimated that 300 million jobs could potentially be at risk from AI and that's probably realistic: entire professions

can be automated at a stroke. It's vital for us, as a collective force of society, businesses, governments, and individuals, to confront this issue head-on and put in place a plan to help people.

Generative AI is such a massive opportunity - it would be a mistake not to also manage the risks that come with it so we can maximize the positives.

The next era of Klarna

Now at Klarna we are focused on sustainable, profitable growth but with the huge opportunity generative AI brings. That idea that three friends had back in 2005, that there must be a better way to do finance and shopping that serves consumers, can now become a reality so much faster.

Imagine a world in which your best and most reliable financial adviser is your phone. One morning, it tells you that it analyzed your mortgage overnight, as well as your spending patterns and the interest-rate outlook. It has suggested that you'd be better off switching providers, and it can make that happen for you. To save ten dollars a month, all you have to do is click "Yes", and it will take care of everything for

you. As simple as that. AI-powered tools could make that future a reality in the next few years.

Klarna is going to be the digital assistant that looks out for consumers' best interests, saving them time, money and helping them worry less. Six months ago, this was a vision. Today, it's a reality we are actively shaping. That's why AI is such a massive shift and we are all in.

Thank you for your continued faith and support. I hope you are as excited as I am about what comes next!

Sebastian Siemiatkowski
CEO and Co-founder, Klarna

Highlights of the period



Highlights of the period

Our Q223 results show strong progress towards our return to profitability and how we continue to incorporate AI to accelerate our business for the benefit of consumers and retailers.

Strong financial performance delivering return to profitability

In Q223, Klarna achieved a significant milestone by recording our first month of net profit, illustrating our ability to deliver on our strategic focus of both growth and profitability.

The US market continues to be a key driver of sustainable and profitable growth for Klarna. In Q223, the US achieved its third consecutive

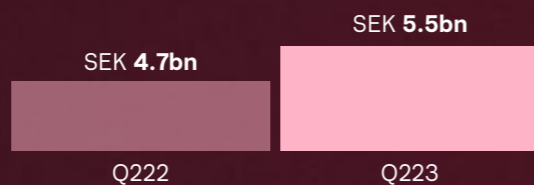
quarter of gross profit, solidifying our position in one of the world's largest consumer markets.

Our progress towards profitability and our robust position in the e-commerce market are reflected in Klarna Bank's BBB-/A-3 credit rating with a stable outlook by S&P Global.



Returning to profitability:
Our first month of net profit

Our third consecutive quarter of gross profit in the US



↑ 17%

Revenue YoY growth, Q223

↓ 23%

Total operating expenses before credit losses improvement YoY Q223



↓ 41%

Credit losses improvement YoY Q223



Revenue increased 17% YoY to SEK 5.5 billion in Q223, accompanied with total net operating income of SEK 4.7 billion, up 20% YoY. These financial achievements reflect our prudent financial management and commitment to delivering substantial value to our customers.

Klarna's credit loss performance remains strong, with credit losses decreasing by 41% compared to Q2 2022. Our responsible lending approach has enabled us to maintain credit losses at continued low levels of 0.39% of GMV in the first half of the year, as revenue and GMV continued to grow.

Global GMV increased 14% YoY in Q223, with the US and UK markets playing a pivotal role in driving this success. Our strategic partnerships, including our new collaboration with Airbnb, further accelerated GMV growth in the latter part of the quarter.

Klarna continues to attract new retail partners across a range of verticals as well as expanding existing partnerships into new markets, with retailer revenue increasing 23% YoY in Q223. Brands such as Airbnb, Boden, Deichmann, Selfridges, Juventus, AC Milan, Parques Reunidos and Uniqlo have all chosen to partner with Klarna.

Empowering consumers remains at the heart of our mission, and we are excited to have launched innovative products such as AI-powered search, resell options, and the personal shopping assistant "Ask Klarna" as well as new growth tools for retailers. These initiatives are designed to revolutionize customer experiences and provide real, tangible benefits to consumers everyday.

Klarna: the AI-Powered Digital Shopping and Financial Assistant

As Europe's first AI-powered bank, Klarna brings together AI and the data consumers' trust us with to deliver personalized services and tailored recommendations that help consumers save time, money and worry less about their finances.

Our focus on AI enables us to continuously enhance our customer offerings and optimize operational efficiency. This has already begun with our newly launched Klarna app, with its **AI-powered personalized shopping feed** and fresh design, offers smart shopping and financial management tools in one convenient location.

Our AI-driven solutions have significantly improved the customer service experience, resulting in substantial time savings for both customers and Klarnauts. For instance, our AI technologies save an average of 19 seconds per interaction, amounting to over 60,000 hours annually.

Klarna's Q223 financial results highlight our commitment to sustainable growth, prudent cost management, and responsible lending practices as we return to profitability. By leveraging AI technology and continuously refining its product offerings, Klarna is solidifying its position as a global leader in the payment and shopping industry, elevating the shopping and financial experience for consumers worldwide. We remain dedicated to creating seamless, worry-free transactions and empowering consumers in their financial decisions.

Business overview



Business overview

The CEO of Klarna Bank AB (publ) hereby submits the report for the period January 1 – June 30, 2023. This report presents the figures for Klarna Bank AB (publ) and its subsidiaries. The report has been prepared in thousands of Swedish kronor (SEK) unless otherwise stated.

Information about the business

Klarna Holding AB (publ)'s subsidiary, 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.

We are an AI powered global payments network and shopping assistant 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

In the first half of 2023, Klarna's growth continued to outpace e-commerce³ as we invested further in our products and services to help consumers save time and money, and worry less about their finances. Revenue increased 15% to SEK 10.5bn (H122: SEK 9.1bn) and total net operating income increased 20% YoY to SEK 9bn (H122: SEK 7.5bn) during H123, outpacing GMV growth of 13% YoY to SEK 449bn (H122: SEK 396bn).

Our commission income increased 18% to SEK 7.5bn (H122: SEK 6.3bn), 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 19% YoY to SEK 2.6bn (H122: SEK 2.2bn) 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 total operating expenses and total net operating income, increasing to SEK 1.2bn (H122: SEK 0.5bn) at period-end. The increase was driven by deposits from the public increasing 18% YoY to SEK 79.2bn (H122: SEK 67bn) as our savings accounts in Germany and Sweden continue to attract and retain consumers and we maintain attractive savings rates in line with interest rate rises.

Volume growth across all markets contributed to an increase in Loans to the public of 12% YoY in H123 to SEK 77.3bn (H122: SEK 69bn).

Total operating expenses before credit losses for the first half of the year have decreased 14% YoY to SEK 9.3bn (H122: SEK 10.8bn) as Klarna realizes benefits of changes initiated in Q222 which marked the start of our journey to return to profitability. We continue to make progress on optimizing our cost base with total operating expenses before credit losses reducing by 23% in Q223, compared to Q222. Depreciation, amortization and impairment of intangible and tangible assets increased to SEK 1.1bn (H122: SEK 0.6bn) largely as a result of a comprehensive review of leased office spaces to optimize operational efficiency. As a result of this review, the company made a strategic decision to right-size its office footprint, leading to an early termination of certain lease agreements.

Credit losses amounted to SEK 1.8bn (H122: SEK 2.9bn) for H123, an improvement of 39% YoY. Credit losses remain low in comparison to GMV, at 0.41% for Q223 (Q222: 0.80%) and as low as 0.39% in H123 (H122: 0.72%). We continue to see substantial progress on credit losses in the US, with credit loss rates down 67% YoY in H123.

Klarna Bank AB's operating result for the first half of the year was SEK -2.0bn (H122: -6.2bn), an improvement in operating result of 67% compared to the first half of 2022 as the impact of changes we made in Q222 onwards became visible.

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 Holding AB is 16.3%.



⁴ Q223 Salesforce Shopping Index, Digital Commerce Growth.

Interaction with regulators

In Germany, Klarna has actively engaged with local policymakers and Members of Parliament on the Future Financing Act and further digitalization of the German financial industry.

In the US, Klarna has continued engaging with the Consumer Financial Protection Bureau to help them understand Klarna's business. They've had particular interest in the Buy Now, Pay Later industry. In March the CFPB released a [report](#) outlining their assessments of BNPL consumers based on a small survey based on self-reported data. In the report, the CFPB was unable to confirm that BNPL leads to overextension or increased indebtedness. Klarna continues to work positively with the CFPB and continues engaging with the bureau on an individual level and through our trade association, Financial Technology Association (FTA), to help the CFPB understand BNPL and newer, innovative credit products.

In Sweden, Klarna has actively been advocating for BNPL regulation and a national debt register in preparation for the report of the inquiry on over-indebtedness that was published in June. The report proposed actions in line with Klarna's position such as a national debt register, lowered and extended interest and absolute cost caps, a cap on arrangement fees and widened requirements for credit assessments. Klarna welcomes the proposed legislation and will respond to the consultation to further strengthen Klarna as a driver of sustainable payments and responsible lending.

In the EU, following the political agreement reached in December 2022, European institutions have pursued their negotiations on the European Consumer Credit Directive, of which the final text is expected to be published H223. Throughout the process Klarna has actively engaged in discussions with European stakeholders, national governments and consumer groups to ensure consumer credit rules are fit for purpose and effectively protect European consumers.

In June 2023, the EU Commission published a series of proposed rules looking at modernizing payments regulation in Europe. Klarna has always believed that consumers should have control over their personal data, as it belongs to them and that there is an opportunity to redesign a regulatory payments environment that enables local fintechs to compete, innovate, and deliver maximum value for European consumers. We have therefore - directly and through its trade associations - issued a number of comments and engaged with relevant stakeholders on the Instant Payments Regulation, Payment Service Directive 3, Payment Regulation 1 and Financial Data Access package.

In the Netherlands, Klarna, together with other BNPL providers and the Dutch government, is working on self-regulating efforts to raise industry-wide consumer protections. This is a first step ahead of proportionate regulation for the sector expected as part of the implementation of the European Consumer Credit Directive (CCD) in 2026.

Significant events during the period

- On 23 February 2023, Klarna Bank resolved to issue 7,272,875 shares to Klarna Holding following receipt of a capital contribution.
- On 6 March 2023, Klarna Bank resolved to issue 3,632,006 shares to Klarna Holding following receipt of a capital contribution.

Significant events after the period

- On 5 July 2023, Klarna Bank AB called an outstanding SEK 300m Tier 2 bond.

Reconciliation of alternative performance measures

Klarna uses certain alternative performance measures of financial performance. These include adjusted operating results. Klarna believes these are an important measure of performance as it reflects underlying business activity and performance, including growing revenue and

managing expenses since it excludes items that are generally not a function of the company's underlying operating performance. Klarna believes Revenue is the best indicator of how much value we are sustainably generating from our business and that this approach is in-line with our peers.

Reconciliation of IFRS Operating results to Adjusted Operating Results

Amounts in SEKm	FY 2021	FY 2022	Q122	Q222	Q322	Q422	Q123	Q223
Klarna Holding IFRS Operating Results	-6,595	-10,470	-2,600	-3,748	-2,123	-2,000	-1,152	-775
(-) Restructuring costs	6	501	0	331	0	170	166	213
(-) Share-based payments (incl. payroll taxes)	622	523	173	151	76	123 ⁵	104	135
(-) Depreciation and amortization*	746	1,639	266	410	487	476	414	436
(=) Adjusted Operating Results	-5,220	-7,808	-2,161	-2,856	-1,560	-1,230	-468	10

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

* During the year, Klarna conducted a comprehensive review of its leased office spaces to optimize operational efficiency. As a result of this review, the company made a strategic decision to right-size its office footprint, leading to an early termination of certain lease agreements. The total one-time financial impact in 2023 as a result amounted to SEK 267 million. These are shown in restructuring costs in the above table but appear under Depreciation, amortization and impairment of intangible and tangible assets in the income statement.

Reconciliation of Revenue to Total Net Operating Income

Amounts in SEKm	FY 2021	FY 2022	Q122	Q222	Q322	Q422	Q123	Q223
Revenue	15,929	19,340	4,375	4,725	4,597	5,643	4,946	5,509
Commission Expenses	-710	-724	-176	-108	-211	-230	-222	-226
Net result from financial transactions	-670	-1,050	-426	-452	-65	-107	-109	-144
Interest Expenses	-666	-1,050	-228	-221	-255	-346	-481	-577
Interest on liquidity assets	64	192	28	29	45	88	225	234
(=) Total Operating Income	13,948	16,707	3,574	3,973	4,112	5,049	4,359	4,796

Revenue is defined as Total Operating Income in accordance with IFRS excluding; commission expense, interest expense, net result from financial transactions and interest on liquidity assets. Interest on liquidity assets stems from loans to credit institutions and other interest income.

⁵ Adjusted Operating Results is defined as IFRS operating result, excluding Restructuring costs; Share-based payments and related payroll taxes and; Depreciation and amortization which also includes impairment of tangible and intangible assets.

Group company financials



Five Year Summary, Group

Amounts in SEKm	Jan - Jun 2023	Jan - Jun 2022	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2019
Income statement					
Total net operating income	9,013	7,495	6,345	4,518	3,314
Operating result	-2,009	-6,168	-1,761	-690	-78
Net result for the period	-2,179	-6,214	-1,408	-552	-84
Balance sheet					
Loans to credit institutions	3,690	5,000	2,512	1,717	1,775
Loans to the public	77,269	69,043	49,057	32,975	22,639
All other assets	40,294	37,905	24,444	14,009	6,039
Total assets	121,253	111,948	76,013	48,701	30,453
Liabilities to credit institutions	1,067	4,628	1,828	2,541	466
Deposits from the public	79,192	67,033	35,983	23,687	15,218
All other liabilities	27,189	26,961	20,221	16,738	10,659
Total equity	13,805	13,326	17,981	5,735	4,110
Total liabilities and equity	121,253	111,948	76,013	48,701	30,453
Key ratios and figures¹					
Return on equity	-44.8%	-70.2%	-22.8%	-34.6%	-0.7%
Return on assets	-5.3%	-12.7%	-3.6%	-3.5%	-0.2%
Debt/equity ratio	7.6	5.0	4.3	7.0	6.1
Equity/assets ratio	11.4%	12.0%	23.7%	11.8%	13.5%
Own funds (Total capital) ²	13,427	9,971	20,657	8,020	4,491
Capital requirement ²	5,409	5,027	4,153	2,515	2,035
Total capital ratio ²	19.9%	15.9%	39.8%	25.5%	17.7%
Average number of full-time equivalents	5,217	6,051	4,122	3,020	2,112

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

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

Five Year Summary, Parent Company

Amounts in SEKm	Jan - Jun 2023	Jan - Jun 2022	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2019
Income statement					
Total net operating income	5,792	5,425	5,142	3,634	2,966
Operating result	-1,959	-5,357	-1,499	-821	-36
Net result for the period	-1,952	-5,365	-1,249	-640	-17
Balance sheet					
Loans to credit institutions	1,349	1,575	1,253	890	1,233
Loans to the public	78,773	71,951	49,781	32,889	22,432
All other assets	43,005	36,319	24,214	13,440	5,614
Total assets	123,127	109,845	75,248	47,219	29,279
Liabilities to credit institutions	979	4,628	1,828	2,541	466
Deposits from the public	78,975	66,785	35,813	23,596	15,185
All other liabilities	28,130	23,758	19,655	15,613	9,900
Total equity	15,043	14,674	17,952	5,469	3,728
Total liabilities and equity	123,127	109,845	75,248	47,219	29,279
Key ratios and figures¹					
Return on equity	-36.9%	-57.8%	-17.5%	-36.7%	3.2%
Return on assets	-4.7%	-11.0%	-2.9%	-3.6%	0.7%
Debt/equity ratio	6.8	4.7	4.2	7.2	6.3
Equity/assets ratio	12.2%	13.4%	23.9%	11.6%	13.1%
Own funds (Total capital)	13,460	14,956	18,138	5,771	4,075
Capital requirement	6,475	5,914	4,354	2,718	2,208
Total capital ratio	16.6%	20.2%	33.3%	17.0%	14.8%
Average number of full-time equivalents	3,690	4,433	3,367	2,564	1,439

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

Income Statement, Group

Amounts in SEKm	Note	Jan - Jun 2023	Jan - Jun 2022	Jan - Dec 2022
Interest income	4	2,571	2,169	4,422
Interest expenses	5	-1,207	-461	-1,162
Net interest income		1,364	1,708	3,260
Commission income	6	7,456	6,342	13,422
Commission expenses		-448	-284	-724
Net result from financial transactions		-254	-881	-1,026
Other operating income		895	610	1,639
Total net operating income		9,013	7,495	16,571
General administrative expenses		-8,137	-10,210	-19,581
Depreciation, amortization and impairment of intangible and tangible assets		-1,134	-600	-1,504
Total operating expenses before credit losses		-9,271	-10,810	-21,085
Operating result before credit losses, net		-258	-3,315	-4,514
Credit losses, net	7	-1,751	-2,853	-5,717
Operating result		-2,009	-6,168	-10,231
Income tax		-170	-46	27
Net result for the period		-2,179	-6,214	-10,204
Whereof attributable to:				
Shareholders of Klarna Bank AB (publ)		-2,193	-6,228	-10,230
Additional Tier 1 capital holders		14	14	26
Total		-2,179	-6,214	-10,204

Statement of Comprehensive Income, Group

Amounts in SEKm	Jan - Jun 2023	Jan - Jun 2022	Jan - Dec 2022
Net result for the period	-2,179	-6,214	-10,204
Items that may be reclassified subsequently to the income statement:			
Exchange differences, foreign operations	431	168	183
Other comprehensive income for the period, net of tax	431	168	183
Total comprehensive income for the period	-1,748	-6,046	-10,021
Whereof attributable to:			
Shareholders of Klarna Bank AB (publ)	-1,762	-6,060	-10,047
Additional Tier 1 capital holders	14	14	26
Total	-1,748	-6,046	-10,021

Balance Sheet, Group

Amounts in SEKm	Note	30 Jun 2023	31 Dec 2022	30 Jun 2022
Assets				
Cash and balances with central banks		7,717	16,085	6,642
Treasury bills chargeable at central banks, etc.		13,372	10,713	11,942
Loans to credit institutions		3,690	3,783	5,000
Loans to the public	8	77,269	74,151	69,043
Bonds and other interest-bearing securities		1,110	864	1,131
Other shares and participations		340	338	323
Intangible assets		11,826	11,644	10,926
Tangible assets		1,640	2,044	2,195
Deferred tax assets		374	395	399
Other assets		2,853	3,216	3,319
Prepaid expenses and accrued income		1,062	1,065	1,028
Total assets		121,253	124,298	111,948
Liabilities				
Liabilities to credit institutions		1,067	2,829	4,628
Deposits from the public		79,192	81,068	67,033
Debt securities issued	9	1,233	1,676	5,876
Deferred tax liabilities		872	912	874
Other liabilities	10	22,053	22,527	17,136
Accrued expenses and prepaid income		2,642	2,648	2,662
Provisions		85	112	112
Subordinated liabilities		304	303	301
Total liabilities		107,448	112,075	98,622
Equity				
Share capital		75	69	68
Other capital contributed		33,243	29,980	27,172
Reserves		853	422	407
Additional Tier 1 instruments		276	276	276
Retained earnings		-18,463	-8,320	-8,383
Net result for the period		-2,179	-10,204	-6,214
Total equity		13,805	12,223	13,326
Total liabilities and equity		121,253	124,298	111,948

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, 2023	69	29,980	422	276	-8,320	-10,204	12,223
Transfer of previous year's net result	-	-	-	-	-10,204	10,204	-
<i>Net result for the period</i>	-	-	-	-	-	-2,179	-2,179
<i>Other comprehensive income, net of tax</i>	-	-	431	-	-	-	431
Total comprehensive income for the period	-	-	431	-	-	-2,179	-1,748
New share issue	6	1,263	-	-	-	-	1,269
Shareholders' contribution	-	2,000	-	-	-	-	2,000
Restricted stock units	-	-	-	-	75	-	75
Additional Tier 1 instruments ¹	-	-	-	-	-14	-	-14
Balance as at June 30, 2023	75	33,243	853	276	-18,463	-2,179	13,805

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	-
<i>Net result for the period</i>	-	-	-	-	-	-6,214	-6,214
<i>Other comprehensive income, net of tax</i>	-	-	168	-	-	-	168
Total comprehensive income for the period	-	-	168	-	-	-6,214	-6,046
New share issue	3	871	-	-	-	-	874
Restricted stock units	-	-	-	-	40	-	40
Additional Tier 1 instruments ¹	-	-	-	276	-14	-	262
Redeemed Additional Tier 1 instruments	-	-	-	-250	-	-	-250
Balance as at June 30, 2022	68	27,172	407	276	-8,383	-6,214	13,326

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.

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	-
<i>Net result for the year</i>	-	-	-	-	-	-10,204	-10,204
<i>Other comprehensive income, net of tax</i>	-	-	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

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.

Cash Flow Statement, Group

Amounts in SEKm	Note	Jan - Jun 2023	Jan - Jun 2022	Jan - Dec 2022
Operating activities				
Operating result		-2,009	-6,168	-10,231
Income taxes paid		-86	-216	-214
<i>Adjustments for items in operating activities</i>				
Depreciation, amortization and impairment		1,134	600	1,504
Gain/loss from disposal of shares in group companies		-8	-	-
Provisions excluding credit losses		3	5	19
Provision for credit losses		-363	91	148
Share-based payments		90	123	311
Financial items including unrealized exchange rate effects		-15	599	688
<i>Changes in the assets and liabilities of operating activities</i>				
Change in loans to the public		-2,379	-6,041	-10,899
Change in liabilities to credit institutions		-1,765	3,628	1,828
Change in deposits from the public		-2,787	7,169	20,832
Change in other assets and liabilities		3,853	-2,154	6,399
Cash flow from operating activities¹		-4,332	-2,364	10,385
Investing activities				
Investments in intangible assets		-485	-376	-949
Investments in tangible assets		-4	-98	-119
Sales of fixed assets		8	-	-
Investments in business combinations	16	-	-3,574	-3,515
Divestment of shares in subsidiaries		8	-	-
Cash flow from investing activities		-473	-4,048	-4,583
Financing activities				
New share issue		1,269	-	320
Issued Additional Tier 1 instruments		-	276	276
Redeemed Additional Tier 1 instruments		-	-250	-250
Debt securities, net	9	-450	-3,287	-7,478
Payment of principal portion of lease contracts		-294	-155	-350
Cash flow from financing activities		525	-3,416	-7,482
Cash flow for the period		-4,280	-9,828	-1,680
Cash and cash equivalents at the beginning of the year		17,724	18,702	18,702
Cash flow for the period		-4,280	-9,828	-1,680
Exchange rate diff. in cash and cash equivalents		300	475	702
Cash and cash equivalents at the end of the period		13,744	9,349	17,724
Cash and cash equivalents include the following items				
Cash and balances with central banks		7,449	6,642	16,085
Loans to credit institutions ²		2,097	2,707	1,639
Treasury bills chargeable with central banks		4,198	-	-
Cash and cash equivalents		13,744	9,349	17,724
Additional liquidity portfolio		10,284	13,073	11,577
Total cash and liquidity		24,028	22,422	29,301

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

² Adjusted for non-cash items.

As a bank, cash flows from operating activities include the net of inflows and outflows from the bank's borrowing and lending activities, including deposits, and are not a simple reflection of a bank's net operating result for the period. In addition to cash and cash equivalents of SEK 13.7bn at the end of the period, Klarna holds SEK 10.3bn of additional liquidity portfolio.

Income Statement, Parent Company

Amounts in SEKm	Note	Jan - Jun 2023	Jan - Jun 2022	Jan - Dec 2022
Interest income	4	2,846	2,282	4,780
Interest expenses	5	-1,339	-460	-1,163
Net interest income		1,507	1,822	3,617
Dividend received		35	-	-
Commission income	6	5,034	4,220	8,838
Commission expenses		-1,555	-1,189	-2,668
Net result from financial transactions		-83	-653	-787
Other operating income		854	1,225	2,240
Total net operating income		5,792	5,425	11,240
General administrative expenses		-5,293	-7,909	-13,644
Depreciation, amortization and impairment of intangible and tangible assets		-907	-410	-1,154
Other operating costs		-290	-658	-1,228
Total operating expenses before credit losses		-6,490	-8,977	-16,026
Operating result before credit losses, net		-698	-3,552	-4,786
Credit losses, net	7	-1,239	-1,805	-3,787
Impairment of financial assets		-22	-	-315
Operating result		-1,959	-5,357	-8,888
Appropriations		-	2	2
Income tax		7	-9	10
Net result for the period		-1,952	-5,365	-8,876

Statement of Comprehensive Income, Parent Company

Amounts in SEKm	Jan - Jun 2023	Jan - Jun 2022	Jan - Dec 2022
Net result for the period	-1,952	-5,365	-8,876
Items that may be reclassified subsequently to the income statement:			
Exchange differences, foreign operations	-214	-65	-164
Other comprehensive income for the period, net of tax	-214	-65	-164
Total comprehensive income for the period	-2,166	-5,430	-9,040

Balance Sheet, Parent Company

Amounts in SEKm	Note	30 Jun 2023	31 Dec 2022	30 Jun 2022
Assets				
Cash and balances with central banks		7,717	16,085	6,642
Treasury bills chargeable at central banks, etc.		13,372	10,713	11,942
Loans to credit institutions		1,349	991	1,575
Loans to the public	8	78,773	76,641	71,951
Bonds and other interest-bearing securities		1,110	864	1,131
Shares and participations in group companies		13,518	10,942	10,685
Other shares and participations		340	338	323
Intangible assets		3,089	2,993	1,579
Tangible assets		1,412	1,738	1,834
Deferred tax assets		113	61	45
Other assets		1,777	2,178	1,587
Prepaid expenses and accrued income		557	738	551
Total assets		123,127	124,282	109,845
Liabilities				
Liabilities to credit institutions		979	2,829	4,628
Deposits from the public		78,975	80,760	66,785
Debt securities issued	9	688	1,137	5,338
Deferred tax liabilities		87	86	59
Other liabilities	10	24,813	23,003	15,994
Accrued expenses and prepaid income		2,162	2,148	1,991
Provisions		76	106	75
Subordinated liabilities		304	303	301
Total liabilities		108,084	110,372	95,171
Equity				
Share capital		75	69	68
Reserve for development costs		1,644	1,475	1,191
Share premium reserve		21,938	20,675	19,867
Reserves		-386	-172	-73
Additional Tier 1 instruments		276	276	276
Retained earnings		-6,552	463	-1,290
Net result for the period		-1,952	-8,876	-5,365
Total equity		15,043	13,910	14,674
Total liabilities and equity		123,127	124,282	109,845

Statement of Changes in Equity, Parent Company

Amounts in SEKm	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2023	69	1,475	20,675	-172	276	463	-8,876	13,910
Transfer of previous year's net result	-	-	-	-	-	-8,876	8,876	-
<i>Net result for the period</i>	-	-	-	-	-	-	-1,952	-1,952
<i>Other comprehensive income, net of tax</i>	-	-	-	-214	-	-	-	-214
Total comprehensive income for the period	-	-	-	-214	-	-	-1,952	-2,166
New share issue	6	-	1,263	-	-	-	-	1,269
Shareholders' contribution	-	-	-	-	-	2,000	-	2,000
Reserve for development costs	-	169	-	-	-	-169	-	-
Restricted stock units	-	-	-	-	-	44	-	44
Additional Tier 1 instruments ¹	-	-	-	-	-	-14	-	-14
Balance as at June 30, 2023	75	1,644	21,938	-386	276	-6,552	-1,952	15,043

Amounts in SEKm	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2022	65	1,057	18,996	-8	250	4,878	-6,046	19,192
Transfer of previous year's net result	-	-	-	-	-	-6,046	6,046	-
<i>Net result for the period</i>	-	-	-	-	-	-	-5,365	-5,365
<i>Other comprehensive income, net of tax</i>	-	-	-	-65	-	-	-	-65
Total comprehensive income for the period	-	-	-	-65	-	-	-5,365	-5,430
New share issue	3	-	871	-	-	-	-	874
Reserve for development costs	-	134	-	-	-	-134	-	-
Restricted stock units	-	-	-	-	-	26	-	26
Additional Tier 1 instruments ¹	-	-	-	-	276	-14	-	262
Redeemed Additional Tier 1 instruments	-	-	-	-	-250	-	-	-250
Balance as at June 30, 2022	68	1,191	19,867	-73	276	-1,290	-5,365	14,674

¹Amounts 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.

Statement of Changes in Equity, Parent Company

Amounts in SEKm	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2022	65	1,057	18,996	-8	250	4,878	-6,046	19,192
Transfer of previous year's net result	-	-	-	-	-	-6,046	6,046	-
<i>Net result for the year</i>	-	-	-	-	-	-	-8,876	-8,876
<i>Other comprehensive income, net of tax</i>	-	-	-	-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	20,675	-172	276	463	-8,876	13,910

¹Amounts 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.

Share capital: 222,861,465 shares as at June 30, 2023 (204,683,709 as at December 31, 2022; 201,767,083 as at June 30, 2022), quota value 0.336 (0.336; 0.336).

Cash Flow Statement, Parent Company

Amounts in SEKm	Note	Jan - Jun 2023	Jan - Jun 2022	Jan - Dec 2022
Operating activities				
Operating result		-1,959	-5,357	-8,888
Income taxes paid		-36	-64	-73
<i>Adjustments for items in operating activities</i>				
Depreciation, amortization and impairment		907	410	1,154
Impairment of shares in group companies		22	-	313
Dividend received from subsidiaries		-35	-	-
Provisions excluding credit losses		-	-	9
Provision for credit losses		-278	92	417
Share-based payments		44	26	95
Financial items including unrealized exchange rate effects		-195	505	444
<i>Changes in the assets and liabilities of operating activities</i>				
Change in loans to the public		-1,815	-8,356	-12,545
Change in liabilities to credit institutions		-1,850	3,916	2,116
Change in deposits from the public		-2,686	7,215	20,827
Change in other assets and liabilities		5,919	-597	7,566
Cash flow from operating activities¹		-1,962	-2,210	11,435
Investing activities				
Investments in intangible assets		-449	-358	-888
Investments in tangible assets		-3	-73	-87
Sales of fixed assets		8	-	-
Investments in subsidiaries		-2,598	-20	-75
Investments in business combinations	16	-	-3,745	-3,745
Dividend received from subsidiaries		19	-	-
Cash flow from investing activities		-3,023	-4,196	-4,795
Financing activities				
New share issue		1,269	-	320
Issued Additional Tier 1 Instruments		-	276	276
Redeemed Additional Tier 1 Instruments		-	-250	-250
Debt securities, net	9	-450	-3,458	-7,664
Payment of principal portion of lease contracts		-224	-122	-258
Cash flow from financing activities		595	-3,554	-7,576
Cash flow for the period		-4,390	-9,960	-936
Cash and cash equivalents at the beginning of the year		16,699	17,068	17,068
Cash flow for the period		-4,390	-9,960	-936
Exchange rate diff. in cash and cash equivalents		230	355	567
Cash and cash equivalents at the end of the period		12,539	7,463	16,699
Cash and cash equivalents include the following items				
Cash and balances with central banks		7,449	6,642	16,085
Loans to credit institutions ²		892	821	614
Treasury bills chargeable with central banks		4,198	-	-
Cash and cash equivalents		12,539	7,463	16,699
Additional liquidity portfolio		10,284	13,073	11,577
Total cash and liquidity		22,823	20,536	28,276

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

² Adjusted for non-cash items.

As a bank, cash flows from operating activities include the net of inflows and outflows from the bank's borrowing and lending activities, including deposits, and are not a simple reflection of a bank's net operating result for the period. In addition to cash and cash equivalents of SEK 12.5bn at the end of the period, Klarna holds SEK 10.3bn 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 interim report per June 30, 2023 consists of the Parent Company (including branches) and its subsidiaries, which together make up the Group. The Group's business is described in the Business overview.

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

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

Note 2 Accounting and valuation principles

Basis for the preparation of the reports

Group

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

Parent Company

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

The accounting principles and calculation methods applied in this report should be read in conjunction, and are consistent, with the Annual Report for 2022.

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

Changes in IFRS standards, interpretations and Annual Improvement Projects

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

During the year, Klarna conducted a comprehensive review of its leased office spaces to optimize operational efficiency. As a result of this review, the company made a strategic decision to right-size its office footprint, leading to an early termination of certain lease agreements. The total financial impact in 2023 as a result amounted to SEK 267 million.

Pillar 2 Global Anti-Base-Erosion tax reform

In December 2022 the European Union member states adopted a directive to implement the Global Anti-Base Erosion (GloBE) Rules as of 1 January 2024 to ensure multinational companies pay a minimum effective tax rate of 15% in all jurisdictions where they operate. Given the jurisdictions in which it operates, Klarna would not expect to end up in a significant top-up tax position, but this remains to be confirmed as countries finalize their rules.

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

Note 3 Operating segments and income by geographical area

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

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

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

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

Group	Jan - Jun 2023	Jan - Jun 2022
Geographical breakdown		
- Germany	2,613	2,496
- United States	2,594	2,205
- United Kingdom	1,196	999
- Sweden	956	1,099
- Other countries	1,909	1,577
Total net operating income less net result from financial transactions¹	9,268	8,376
Income category		
- Retailer income	5,413	4,487
- Consumer income	2,476	2,808
- Other income ²	1,379	1,081
Total net operating income less net result from financial transactions¹	9,268	8,376
Non-current assets (as at June 30)		
- Sweden	14,493	18,790
- Germany	3,606	3,517
- Other countries ³	2,519	4,521
Total non-current assets (as at June 30)	20,618	26,828

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" are mainly attributable to the United Kingdom and the United States.

Operating segments and income by geographical area

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

Parent Company					
Jan - Jun 2023	Sweden	Germany	United Kingdom	Other ¹	Total
Interest income	824	800	62	1,160	2,846
Commission income	652	1,806	1,090	1,486	5,034
Group contributions, dividends and appropriations	-	-	-	35	35
Other operating income	54	615	41	144	854
Total	1,530	3,221	1,193	2,825	8,769

Parent Company					
Jan - Jun 2022	Sweden	Germany	United Kingdom	Other ¹	Total
Interest income	606	721	72	883	2,282
Commission income	656	1,493	869	1,202	4,220
Group contributions, dividends and appropriations	-	-	-	2	2
Other operating income	35	1,093	10	87	1,225
Total	1,297	3,307	951	2,174	7,729

¹ "Other" is mainly attributable to; Austria, Belgium, Denmark, Finland, the Netherlands, Norway, Switzerland and the United States.

Parent Company			
External customer revenue split by income categories		Jan - Jun 2023	Jan - Jun 2022
Retailer		3,700	3,193
Consumer		2,290	2,589
Total		5,990	5,782

Note 4 Interest income

	Group		Parent Company	
	Jan - Jun 2023	Jan - Jun 2022	Jan - Jun 2023	Jan - Jun 2022
Loans to credit institutions	180	1	168	1
Loans to the public	2,112	2,111	2,110	2,110
Other interest income	279	57	568	171
Total	2,571	2,169	2,846	2,282

Interest income is calculated using the effective interest rate method.

Note 5 Interest expenses

	Group		Parent Company	
	Jan - Jun 2023	Jan - Jun 2022	Jan - Jun 2023	Jan - Jun 2022
Interest-bearing securities and chargeable treasury bills etc.	-96	-98	-96	-98
Liabilities to credit institutions	-51	-41	-47	-41
Deposits from the public	-696	-253	-696	-253
Debt securities issued	-24	-37	-24	-37
Subordinated liabilities	-10	-5	-10	-5
Group companies	-155	-12	-294	-13
Other interest expenses	-175	-15	-172	-13
Total	-1,207	-461	-1,339	-460

Interest expense is calculated using the effective interest rate method.

Note 6 Commission income

Group	Commission income split by product category	
	Jan - Jun 2023	Jan - Jun 2022
Retailer	6,354	5,291
Consumer	1,026	1,003
Other	76	48
Total	7,456	6,342

Parent Company	Commission income split by product category	
	Jan - Jun 2023	Jan - Jun 2022
Retailer	4,138	3,389
Consumer	842	785
Other	54	46
Total	5,034	4,220

Note 7 Credit losses, net

Loan losses divided by class	Group		Parent Company	
	Jan - Jun 2023	Jan - Jun 2022	Jan - Jun 2023	Jan - Jun 2022
Loans to credit institutions				
Increase in provisions	-5	-3	-	-1
Reversal of previous provisions	5	1	-	1
Total	-	-2	-	-
Loans to the public				
Realized loan losses, net of recoveries	-2,114	-2,761	-1,517	-1,713
Release in provisions to cover realized loan losses	2,145	2,240	1,478	1,338
Increase in provisions	-7,313	-7,408	-5,049	-4,510
Reversal of previous provisions	5,501	5,087	3,814	3,088
Total	-1,781	-2,842	-1,274	-1,796
Financial guarantees and commitments				
Increase in provisions	-36	-28	-27	-27
Reversal of previous provisions	66	20	62	19
Total	30	-8	35	-8
Total credit losses, net	-1,751	-2,853	-1,239	-1,805

Note 8 Loans to the public

Loan losses divided by class	Group		Parent Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Loans to the public ¹	81,313	78,305	82,151	80,077
Allowance for credit losses	-4,044	-4,154	-3,378	-3,436
Total	77,269	74,151	78,773	76,641

¹ Parent Company loans to the public include a loan measured at fair value through profit or loss amounting to SEK 491m at 30 June 2023 (486m as at December 31, 2022).

For the fair value amounts, see note 12.

Note 9 Debt securities issued

Debt securities issued	Group		Parent Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Senior unsecured bonds	688	1,115	688	1,115
Commercial papers	-	22	-	22
Other bonds	545	539	-	-
Total	1,233	1,676	688	1,137

For the fair value amounts, see note 12.

Note 10 Other liabilities

	Group		Parent Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Accounts payable	232	184	179	108
Personnel related taxes	60	198	41	179
Liabilities to group companies	8,616	11,051	13,881	14,158
Current tax liabilities	139	87	84	36
Liabilities to retailers	8,861	6,904	7,701	5,912
Derivatives	574	135	574	135
Lease liabilities	1,528	1,757	1,308	1,461
Other liabilities	2,043	2,211	1,045	1,014
Total	22,053	22,527	24,813	23,003

Klarna Bank AB (publ) has received a line of credit from its parent company Klarna Holding AB (publ). The credit liability amounted to SEK 8,272m as of June 30, 2023 (10,805m as at December 31, 2022) and is included in Liabilities to group companies. The line of credit is ranked pari passu with all other unsecured indebtedness.

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 136m and lease liabilities SEK 153m as at 30 June 2022 (149m and 166m respectively as at 30 Dec 2022). Right-of-use assets and the lease liabilities as at 30 June 2022 have been restated to include an additional amount of SEK 450m, respectively, as a result of the new lease agreement. The lease modification had an immaterial impact on the income statement as of June 2022.

For the fair value amounts, see note 12.

Note 11 Pledged assets and contingent liabilities

	Group		Parent Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Pledged assets				
<i>Assets pledged for own liabilities</i>				
Pledged loans to the public and credit institutions	2,974	2,717	2,974	2,717
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	-	1,402	-	1,402
<i>Other pledged assets</i>	35	34	-	-
Total	3,009	4,153	2,974	4,119
Contingent liabilities and commitments				
<i>Contingent liabilities</i>				
Guarantees	2	44	-	44
<i>Commitments</i>	20,254	16,339	38,444	27,944
Total	20,256	16,383	38,444	27,988

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 facility amounted to SEK 0m as at June 30, 2023 (0m as at December 31, 2022).

Treasury bills chargeable at central banks, etc., and bonds and other interest-bearing securities contain securities pledged as collateral in repurchase agreements in prior periods. Associated liabilities amounted to SEK 0m as at June 30, 2023 (1,405m as at December 31, 2022).

Commitments mainly contain an undrawn part of consumer credit line amounting to SEK 5,828m (5,006m as at December 31, 2022) and a commitment to refund consumers in the event of returns to a defaulted retailer amounting to SEK 14,006m (11,333m as at December 31, 2022) as at June 30, 2023.

Note 12 Fair value of financial assets and liabilities

Group	30 Jun 2023			31 Dec 2022		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	7,717	7,717	-	16,085	16,085	-
Treasury bills chargeable at central banks, etc.	12,915	13,372	-457	10,237	10,713	-476
Loans to credit institutions	3,690	3,690	-	3,783	3,783	-
Loans to the public	77,269	77,269	-	74,151	74,151	-
Bonds and other interest-bearing securities	1,076	1,110	-34	827	864	-37
Other shares and participations	340	340	-	338	338	-
Other assets	709	709	-	497	497	-
Other assets (derivatives)	204	204	-	789	789	-
Prepaid expenses and accrued income	567	567	-	665	665	-
Total	104,487	104,978	-491	107,372	107,885	-513

Group	30 Jun 2023			31 Dec 2022		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	1,067	1,067	-	2,829	2,829	-
Deposits from the public	78,588	79,192	-604	80,707	81,068	-361
Debt securities issued	1,220	1,233	-13	1,644	1,676	-32
Other liabilities	21,205	21,205	-	22,025	22,025	-
Other liabilities (derivatives)	574	574	-	135	135	-
Accrued expenses and prepaid income	2,613	2,613	-	2,608	2,608	-
Subordinated liabilities	300	304	-4	300	303	-3
Total	105,567	106,188	-621	110,248	110,644	-396

Fair value of financial assets and liabilities

Parent Company	30 Jun 2023			31 Dec 2022		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	7,717	7,717	-	16,085	16,085	-
Treasury bills chargeable at central banks, etc.	12,915	13,372	-457	10,237	10,713	-476
Loans to credit institutions	1,349	1,349	-	991	991	-
Loans to the public	78,773	78,773	-	76,641	76,641	-
Bonds and other interest-bearing securities	1,076	1,110	-35	827	864	-37
Other shares and participations	340	340	-	338	338	-
Other assets	1,032	1,032	-	929	929	-
Other assets (derivatives)	204	204	-	789	789	-
Prepaid expenses and accrued income	264	264	-	415	415	-
Total	103,670	104,161	-492	107,252	107,765	-513

Parent Company	30 Jun 2023			31 Dec 2022		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	979	979	-	2,829	2,829	-
Deposits from the public	78,371	78,975	-604	80,399	80,760	-361
Debt securities issued	675	688	-13	1,105	1,137	-32
Other liabilities	24,049	24,049	-	22,588	22,588	-
Other liabilities (derivatives)	574	574	-	135	135	-
Accrued expenses and prepaid income	2,151	2,151	-	2,130	2,130	-
Subordinated liabilities	300	304	-4	300	303	-3
Total	107,099	107,720	-621	109,486	109,882	-396

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

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

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

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

Note 13 Classification of financial assets and liabilities into measurement categories

Group	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
30 Jun 2023				
Assets				
Cash and balances with central banks	-	7,717	-	7,717
Treasury bills chargeable at central banks, etc.	-	13,372	-	13,372
Loans to credit institutions	-	3,690	-	3,690
Loans to the public	-	77,269	-	77,269
Bonds and other interest-bearing securities	-	1,110	-	1,110
Other shares and participations	340	-	-	340
Intangible assets	-	-	11,826	11,826
Tangible assets	-	-	1,640	1,640
Deferred tax assets	-	-	374	374
Other assets	204	709	1,940	2,853
Prepaid expenses and accrued income	-	567	495	1,062
Total	544	104,434	16,275	121,253

Group	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
30 Jun 2023				
Liabilities				
Liabilities to credit institutions	-	1,067	-	1,067
Deposits from the public	-	79,192	-	79,192
Debt securities issued	545	688	-	1,233
Deferred tax liabilities	-	-	872	872
Other liabilities	574	21,205	274	22,053
Accrued expenses and prepaid income	-	2,613	29	2,642
Provisions	-	-	85	85
Subordinated liabilities	-	304	-	304
Total	1,119	105,069	1,260	107,448

Classification of financial assets and liabilities into measurement categories

Group	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
31 Dec 2022				
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	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
31 Dec 2022				
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

Classification of financial assets and liabilities into measurement categories

Parent Company				
30 Jun 2023	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	-	7,717	-	7,717
Treasury bills chargeable at central banks, etc.	-	13,372	-	13,372
Loans to credit institutions	-	1,349	-	1,349
Loans to the public	491	78,282	-	78,773
Bonds and other interest-bearing securities	-	1,110	-	1,110
Shares and participations in group companies	-	-	13,518	13,518
Other shares and participations	340	-	-	340
Intangible assets	-	-	3,089	3,089
Tangible assets	-	-	1,412	1,412
Deferred tax assets	-	-	113	113
Other assets	204	1,032	541	1,777
Prepaid expenses and accrued income	-	264	293	557
Total	1,035	103,126	18,966	123,127

Parent Company				
30 Jun 2023	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	979	-	979
Deposits from the public	-	78,975	-	78,975
Debt securities issued	-	688	-	688
Deferred tax liabilities	-	-	87	87
Other liabilities	574	24,049	190	24,813
Accrued expenses and prepaid income	-	2,151	11	2,162
Provisions	-	-	76	76
Subordinated liabilities	-	304	-	304
Total	574	107,146	364	108,084

Classification of financial assets and liabilities into measurement categories

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

Classification of financial assets and liabilities into measurement categories

Financial assets and liabilities – measurement

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

Level 1

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

Level 2

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

Level 3

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

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

Group				
30 Jun 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Other shares and participations	55	-	285	340
Other assets (derivatives)	-	204	-	204
Total	55	204	285	544
Financial liabilities				
Debt securities issued	-	-	545	545
Other liabilities (derivatives)	-	574	-	574
Total	-	574	545	1,119

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

Classification of financial assets and liabilities into measurement categories

Parent Company				
30 Jun 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	491	491
Other shares and participations	55	-	285	340
Other assets (derivatives)	-	204	-	204
Total	55	204	776	1,035
Financial liabilities				
Other liabilities (derivatives)	-	574	-	574
Total	-	574	-	574

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

Classification of financial assets and liabilities into measurement categories

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	Other shares and participations	Debt securities issued ²
Balance as at January 1, 2023	271	539		
Gain/loss in income statement ¹	-1	-4		
of which: unrealized gain/loss	-1	-4		
Issuances	-	-		
Impact of foreign exchange movements	15	10		
Balance as at June 30, 2023	285	545		

Group	Financial assets		Financial liabilities	
	Other shares and participations	Debt securities issued ²	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		

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.

Classification of financial assets and liabilities into measurement categories

Parent Company	Financial assets	
	Other shares and participations	Loans to the public ²
Balance as at January 1, 2023	271	486
Gain/loss in income statement ¹	-1	-3
of which: unrealized gain/loss	-1	-3
Issuances	-	-
Impact of foreign exchange movements	15	8
Balance as at June 30, 2023	285	491

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

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 28m (27m). The impact of a 10% decrease would decrease assets by SEK 28m (27m).

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

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

Note 14 Information on related parties

Group and Parent Company

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

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

Note 15 Capital adequacy and leverage ratio

Capital adequacy regulations

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

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

Common Equity Tier 1 capital

Klarna Holding AB (publ) reported a CET1 capital amount of SEK 12,494m as of June 30, 2023 (SEK 14,865m as of December 31, 2022).

During the first half of 2023, Common Equity Tier 1 for the consolidated situation of Klarna Holding AB (publ) reduced by SEK 2,371m as a result of operating losses incurred in the period (SEK 2,036m), a reduction in the IFRS9 transitional relief (SEK 684m) partially offset by an increase in Other Comprehensive Income (SEK 481m) from unrealised foreign exchange gains.

Additional Tier 1 capital

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 were 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 was July 5, 2023. On 2 May 2023 a notice of early redemption on the first call date was published and the bond was called on July 5, 2023.

On May 16, 2023, Klarna Holding AB (publ) issued SEK 500m subordinated notes due 2033. 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 7.5% per annum. The notes were allocated to a limited number of large Nordic investors and the first call date is May 16, 2028.

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).

Capital adequacy and leverage ratio

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 requirement 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 capital required as of June 2023 amounts to SEK 10,128m (SEK 9,677m as per December 2022) for Klarna Bank AB (publ) and SEK 8,242m (SEK 8,230m as per December 2022) for the consolidated situation. Klarna thereby has sufficient capital to cover for required capital under Pillar I, including combined buffer requirements, and Pillar II.

Capital adequacy disclosure

Capital adequacy disclosure in accordance with the requirements in Commission Implementing Regulation (EU) No 2021/637 and the Swedish Financial Supervisory Authority (Finansinspektionen) requirements FFFS 2014:12 and the disclosure 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.

As of January 1, 2023, the capital adequacy calculations were modified to include the dynamic component only, as the static component is nil from January 1, 2023 onwards.

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 June 30, 2023, an amount of SEK 171m Additional Tier 1 capital instruments issued by Klarna Bank AB (publ), and SEK 505m Tier 2 capital instruments issued by Klarna Inc. were included in the Own funds of Klarna Holding AB (publ) consolidated.

Capital adequacy and leverage ratio

Capital adequacy information	Consolidated situation		Klarna Bank AB (publ)	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Own funds, total risk exposure amount and total leverage ratio exposure				
Common Equity Tier 1 capital	12,494	14,865	13,184	12,613
Tier 1 capital	12,922	15,292	13,460	12,889
Own funds	13,427	15,548	13,460	13,191
Total risk exposure amount	67,624	68,597	80,954	80,078
Total leverage ratio exposure	116,237	119,462	126,965	127,312
Capital adequacy analysis				
Common Equity Tier 1 capital ratio	18.5%	21.7%	16.3%	15.8%
Tier 1 capital ratio	19.1%	22.3%	16.6%	16.1%
Total capital ratio	19.9%	22.7%	16.6%	16.5%
Leverage ratio	11.1%	12.8%	10.6%	10.1%
Combined buffer requirement incl, the requirements of 575/2013 Art, 92(1)(a)	8.0%	7.5%	8.0%	7.5%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	1.0%	0.5%	1.0%	0.5%
CET1 available after meeting the total SREP own funds requirements (%)	13.5%	17.2%	11.4%	11.3%
Exposure amounts for credit risk according to the standardized approach				
Credit risk including counterparty credit risk	101,308	108,144	110,812	115,597
of which: central governments or central banks	13,200	16,982	12,948	16,645
of which: regional governments or local authorities	3,446	5,063	3,446	5,063
of which: public sector entities	1,249	-	1,249	-
of which: multilateral development banks	2,623	5,436	2,623	5,436
of which: International organisations	1,173	-	1,173	-
of which: institutions	4,381	4,695	1,973	1,868
of which: corporates	8,246	7,785	14,615	17,935
of which: retail	59,205	59,690	53,199	51,227
of which: exposures in default	526	572	534	551
of which: covered bonds	1,110	864	1,110	864
of which: equity	340	338	13,858	11,280
of which: other items	5,809	6,719	4,084	4,728
Total exposure amount	101,308	108,144	110,812	115,597
Risk exposure amounts according to the standardized approach				
Credit risk including counterparty credit risk	61,050	62,119	73,948	73,816
of which: institutions	876	939	395	374
of which: corporates	7,993	7,703	14,365	17,854
of which: retail	44,403	44,768	39,899	38,421
of which: exposures in default	559	598	641	577
of which: covered bonds	111	86	111	86
of which: equity	766	744	14,284	11,686
of which: other items	6,342	7,281	4,253	4,818
Securitization positions	1,203	1,131	1,203	1,131
Market risk	1,524	1,478	1,718	1,023
of which: foreign exchange risk	1,524	1,478	1,718	1,023
Operational risk	3,743	3,742	3,981	3,981
Credit valuation adjustments	104	127	104	127
Total risk exposure amount	67,624	68,597	80,954	80,078

Capital adequacy and leverage ratio

	Consolidated situation		Klarna Bank AB (publ)	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Total minimum capital requirements				
Credit risk including counterparty credit risk	4,884	4,970	5,916	5,905
of which: institutions	70	75	32	30
of which: corporates	639	616	1,149	1,428
of which: retail	3,553	3,583	3,192	3,074
of which: exposures in default	45	48	51	46
of which: covered bonds	9	7	9	7
of which: equity	61	59	1,143	935
of which: other items	507	582	340	385
Securitization positions	96	90	96	90
Market risk	122	118	137	82
of which: foreign exchange risk	122	118	137	82
Operational risk	299	299	318	318
Credit valuation adjustments	8	10	8	10
Total capital requirement	5,409	5,487	6,475	6,405
Own funds disclosure				
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts	41,705	41,553	33,318	30,048
Retained earnings	-18,559	-8,666	-17,717	-8,473
Accumulated other comprehensive income (and other reserves)	1,317	1,155	1,157	935
Common Equity Tier 1 capital before regulatory adjustments	24,463	34,042	16,758	22,510
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	-2	-2	-1	-1
Intangible assets (net of related tax liability)	-10,269	-9,948	-1,829	-1,877
Losses for the current period	-2,036	-10,292	-1,991	-8,876
IFRS 9 transitional adjustments to CET1 Capital	660	1,343	550	1,115
Deferred tax assets rely on future profitability	-19	-20	-	-
Securitization positions alternatively subject to a 1250% risk weight	-303	-258	-303	-258
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-11,969	-19,177	-3,574	-9,897
Common Equity Tier 1 (CET1) capital	12,494	14,865	13,184	12,613
Additional Tier 1 (AT1) capital instruments				
Capital instruments and the related share premium accounts	257	257	276	276
of which: classified as equity under applicable accounting standards	257	257	276	276
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	171	170	-	-
Total Additional Tier 1 (AT1) capital instruments	428	427	276	276
Tier 1 capital	12,922	15,292	13,460	12,889
Tier 2 (T2) capital instruments				
Capital instruments and the related share premium accounts	-	-	-	302
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	505	256	-	-
Total Tier 2 (T2) capital instruments	505	256	-	302
Own funds	13,427	15,548	13,460	13,191

Note 16 Business combinations

There have been no business combinations during the period.

Acquisitions in 2022

PriceRunner Group AB

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 was 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 June 30, 2022 and Dec 31, 2022, PriceRunner Group AB and its wholly-owned subsidiaries contributed by SEK 113m and SEK 437m, net, to the Group's total operating revenues, respectively. The total effect on the Group's net result was SEK 15m and SEK 72m, respectively. 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 during 2022. The Group's net result would have been SEK 22m higher during 2022.

Klarna Runway Holding Inc

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 was recorded to intangible assets, SEK 72m to deferred tax liabilities and SEK 71m refers to other net assets. No goodwill was recognized in the acquisition.

Note 17 Significant events after the end of the reporting period

On 5 July 2023, Klarna Bank AB called an outstanding SEK 300m Tier 2 bond.

CEO's affirmation

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

Stockholm, August 30, 2023

Sebastian Siemiatkowski
CEO

Further information

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

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The information in this report is such that Klarna Bank AB (publ) is obliged to make public under the EU Market Abuse Regulation and the Securities Market Act. This information was submitted for publication, through the agency of the contact persons set out above, on August 31, 2023 at 08:00 a.m. CET.

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 period.

Equity/assets ratio*

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

Financing

Klarna's account product.

Gross Merchandise Value

Value of products sold through Klarna platform.

Klarna Card

Klarna's physical shop anywhere card.

Klarna In-Store

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

Monthly active app users

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

Own funds (Total capital)

The sum of Tier 1 capital and Tier 2 capital.

Pay now

Klarna's product for immediate settlement.

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 4).

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



THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

Klarna Bank AB (publ), corporate identity number 556737-0431

Introduction

We have reviewed the condensed interim report for Klarna Bank AB (publ) as at June 30, 2023 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm, August 30th, 2023

Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant

Klarna.

