

Business update

Klarna

2023



Financial review



Full year results 2023

Group
US

(SEKB)



2021 2022 2023

2021 2022 2023

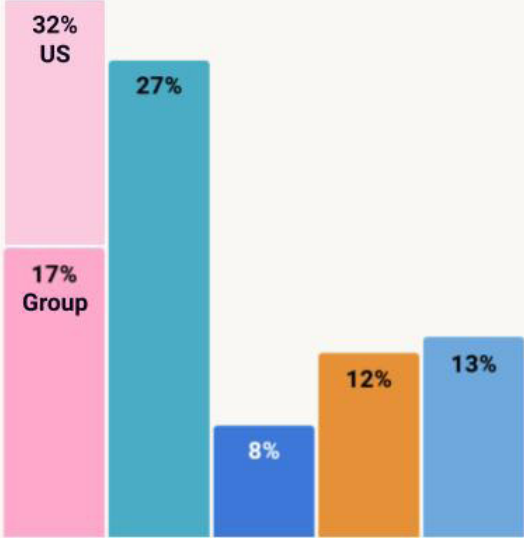
2021 2022 2023

2021 2022 2023

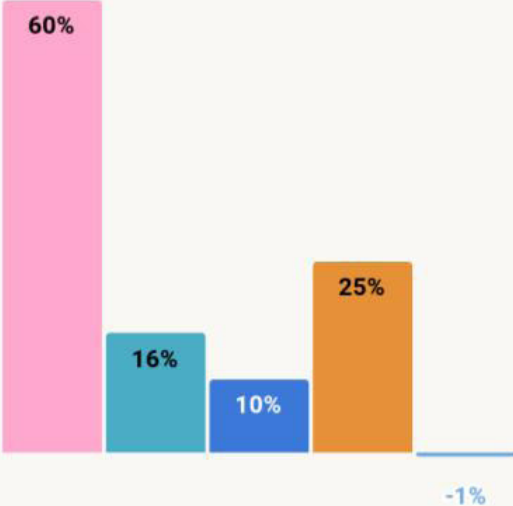
* Adjusted operating results are defined as IFRS operating results, excluding restructuring costs, share-based payments, related payroll taxes, depreciation and amortization.

The only notable fintech who...

Grew volume 15%+



AND increased gross profit by 50%+



AND improved EBT margin by more than 40 p.p



Year over year growth (%)

- Klarna Group
- Competitor 1
- Competitor 2
- Competitor 3
- Competitor 4

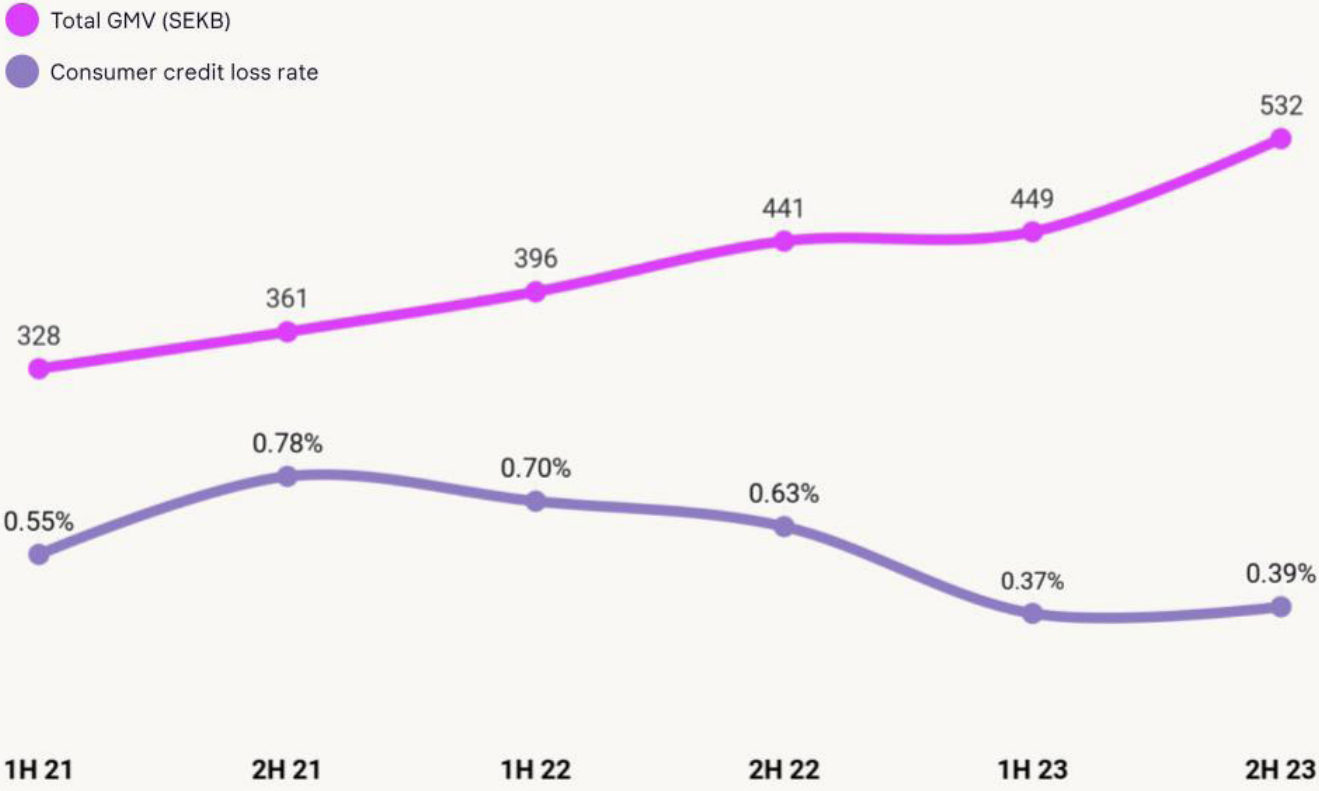
Transparent P&L, aligned with how our model works

| P&L Item | 2023 YoY |
|-----------------------|----------|
| GMV | 17% |
| Total revenue | 22% |
| Transaction costs | (2)% |
| Gross profit | 60% |
| Operating expenses | (16)% |
| Adj. Operating result | 95% |

| Amounts in SEKM | 2022 | 2023 | 2023 YoY |
|--|-----------------|-----------------|--------------|
| Gross merchandise volume | 837,285 | 980,892 | 17% |
| Transaction and service revenue | 15,403 | 19,798 | 29% |
| Interest income from operating activities | 3,934 | 3,707 | (6)% |
| Total revenue | 19,336 | 23,504 | 22% |
| Processing and servicing | (5,165) | (5,700) | 10% |
| Consumer credit losses | (5,563) | (3,766) | (32)% |
| Funding costs | (1,327) | (2,356) | 78% |
| Transaction costs | (12,055) | (11,822) | (2)% |
| Gross profit | 7,281 | 11,682 | 60% |
| Gross margin | 38% | 50% | 12p.p |
| Technology and product development | (3,415) | (3,045) | (11)% |
| Sales and marketing | (4,893) | (3,400) | (31)% |
| Customer service and operations | (2,817) | (2,420) | (14)% |
| G&A | (4,359) | (3,920) | (10)% |
| Depreciation, amortization and impairments | (1,639) | (2,392) | 46% |
| Other income (expense), net | (633) | 290 | n.m |
| Operating expenses | (17,755) | (14,887) | (16)% |
| Operating result | (10,474) | (3,204) | 69% |
| Restructuring costs | 501 | 665 | 33% |
| Share-based payments | 523 | 462 | (12)% |
| Depreciation and amortization | 1,639 | 1,699 | 4% |
| Adjusted operating result | (7,811) | (378) | 95% |

Klarna growth outpaces e-commerce, with decreasing credit loss rates

| P&L Item |
|-----------------------|
| GMV |
| Total revenue |
| Transaction cost |
| Gross profit |
| Operating expenses |
| Adj. Operating Result |

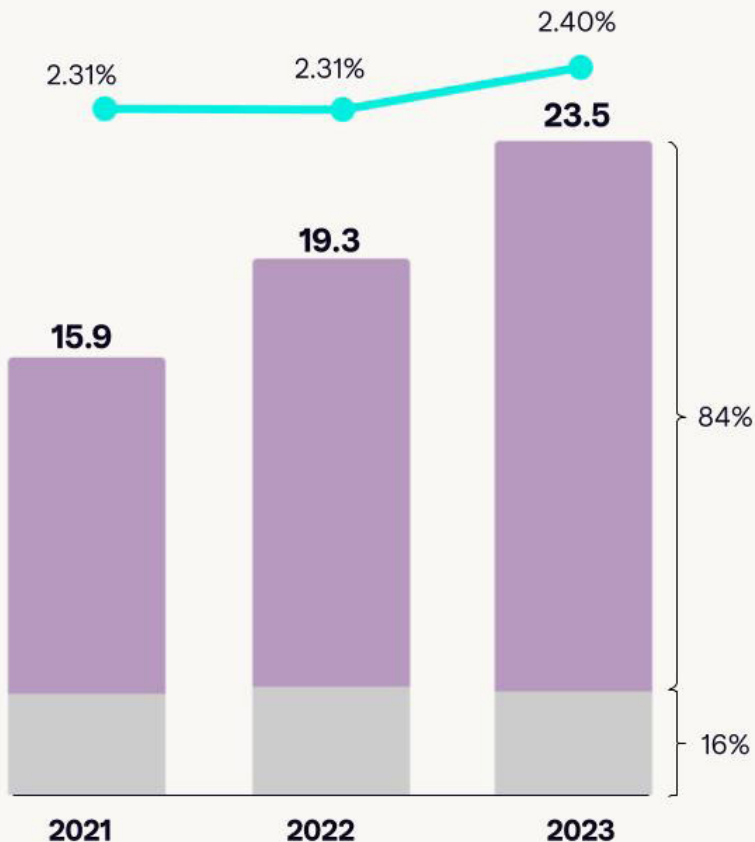


* Salesforce Shopping Index

Strong revenue growth with increasing share of transaction and service revenue

| P&L Item |
|-----------------------|
| GMV |
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| Adj. Operating Result |

- Total revenue % of GMV (take rates)
- Transaction and service revenue
- Interest income from operating activities



Total revenue
(SEKB) **22%**
2023 YoY

Transaction and service revenue **29%**
2023 YoY

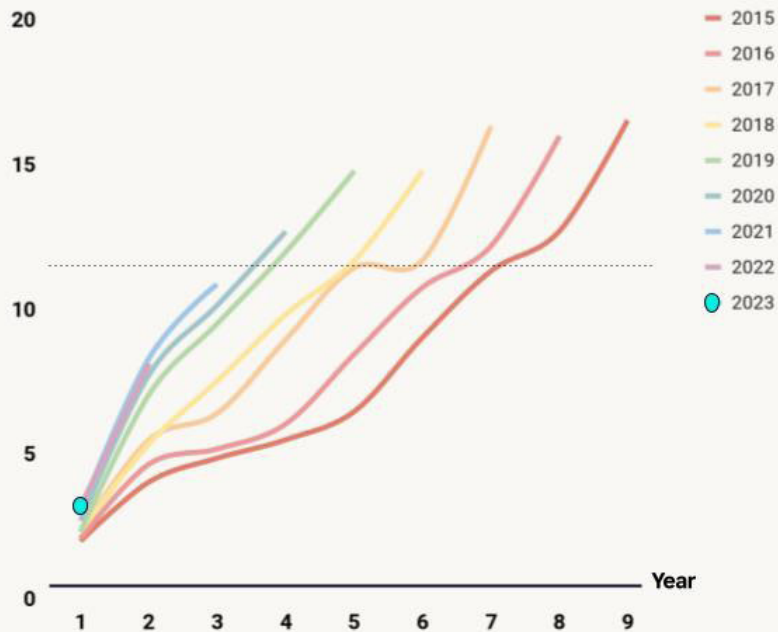
Interest income from operating activities **-6%**
2023 YoY

Fast expansion of Klarna network and product availability drives ARPU growth

| P&L Item |
|-----------------------|
| GMV |
| Total revenue |
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| Adj. Operating Result |

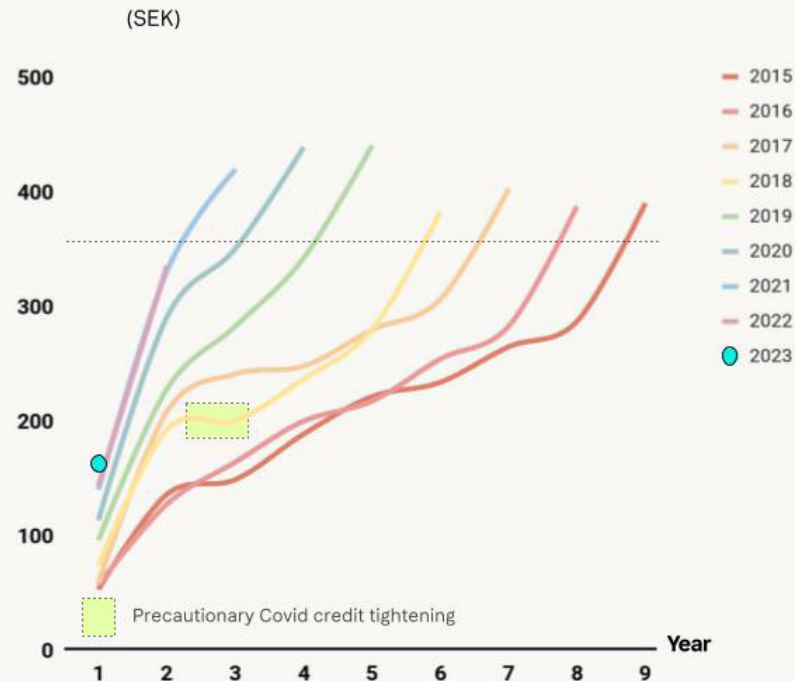
Increasing product breadth and availability drives frequency growth

Purchases p.a. (by purchasing consumer cohorts)*



Increasing frequency is the primary driver of ARPU

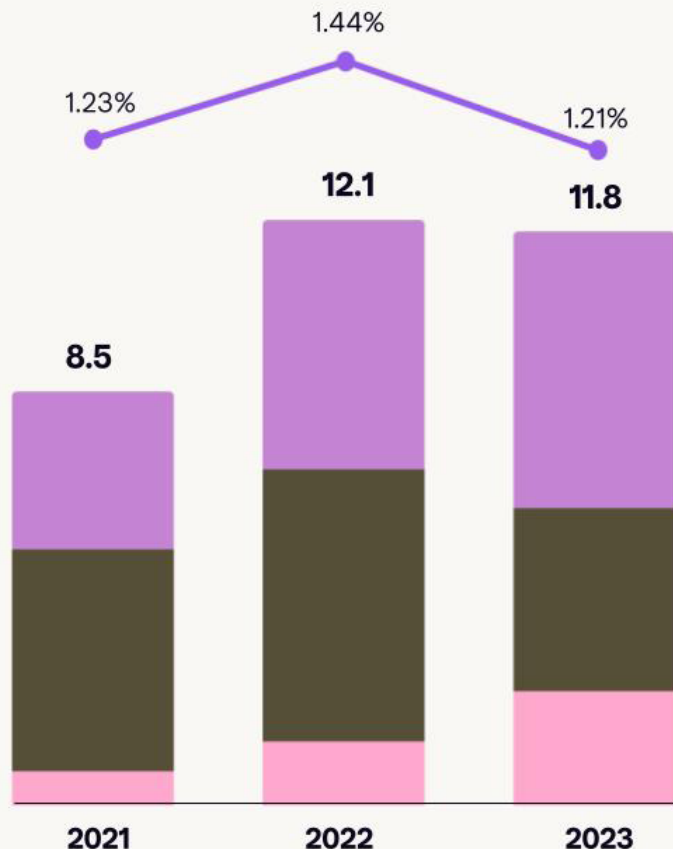
ARPU p.a. (by purchasing consumer cohorts)*



* Klarna brand only

Scale-driven efficiencies reduce transaction costs

| P&L Item |
|-------------------------|
| GMV |
| Total revenue |
| Transaction cost |
| Gross profit |
| Operating expenses |
| Adj. Operating Result |



2023 YoY

| | | |
|---------------------------------|-------------|--------------------------|
| Processing and servicing | 10% | vs. 17% Volume growth |
| Consumer credit losses | (32)% | |
| Funding costs | 78% | |
| Transaction costs (SEKB) | (2)% | |

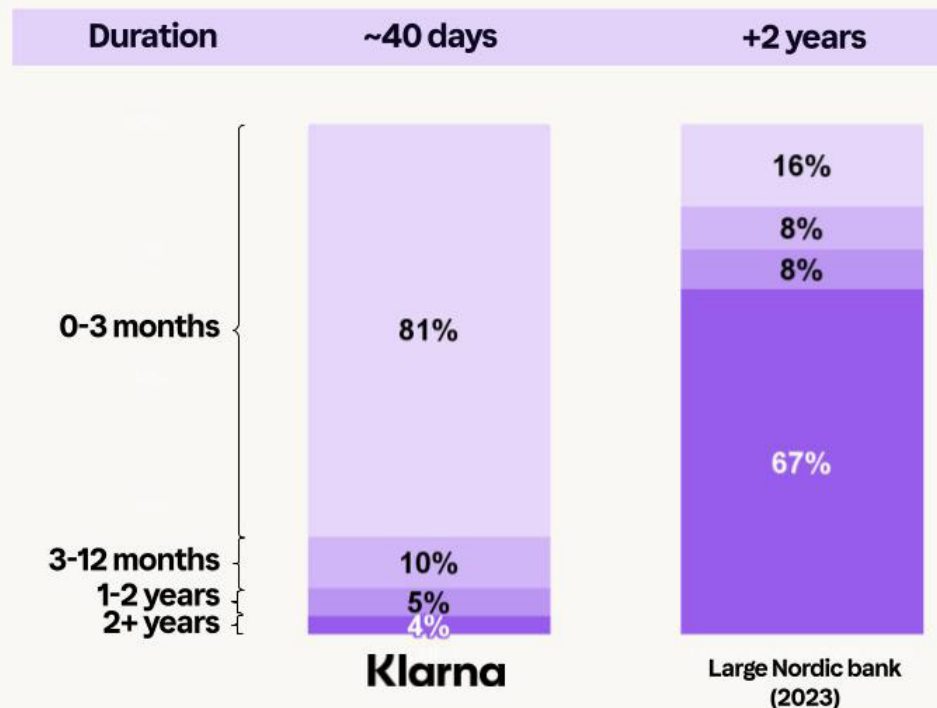
Klarna leverages its short-duration balance sheet to quickly react to market changes

| P&L Item | |
|-----------------------|--|
| GMV | |
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| Operating expenses | |
| Adj. Operating Result | |

~40 days average duration of portfolio



Age distribution of credit receivables, from origination

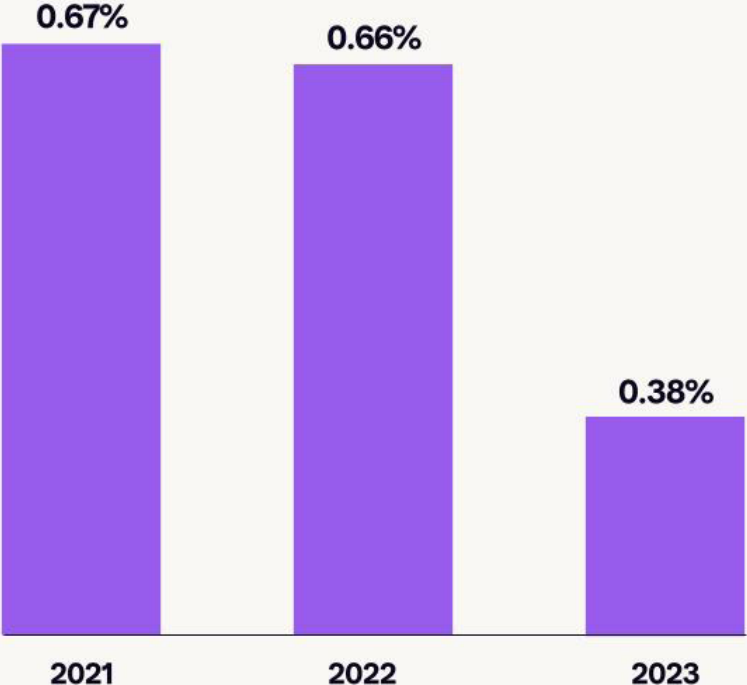


Credit risk nearly halved, supported by lower US delinquencies

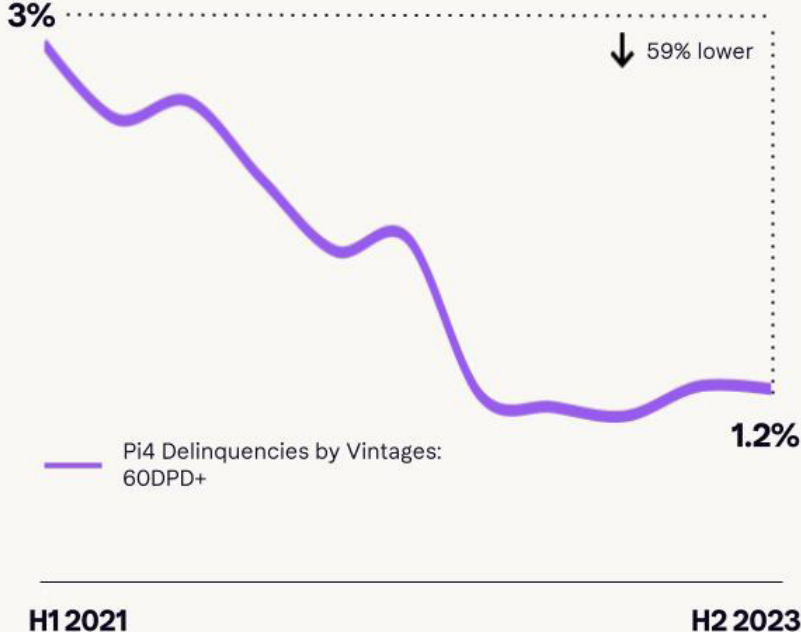
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42% improvement in Consumer credit loss rate

Consumer credit losses (% of GMV)



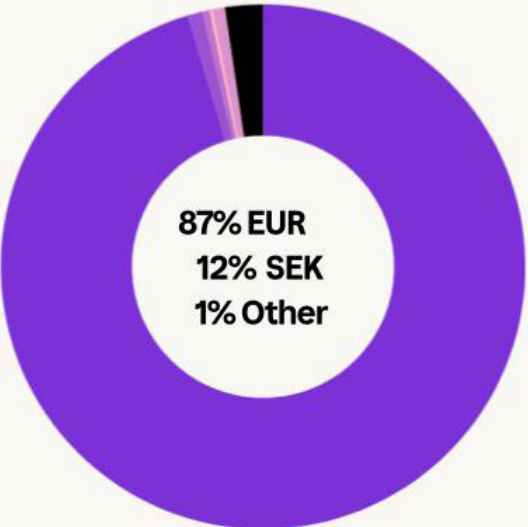
In the US, loss rates have improved rapidly as we reach scale.



Cost effective funding supports resilience in high interest rate environments

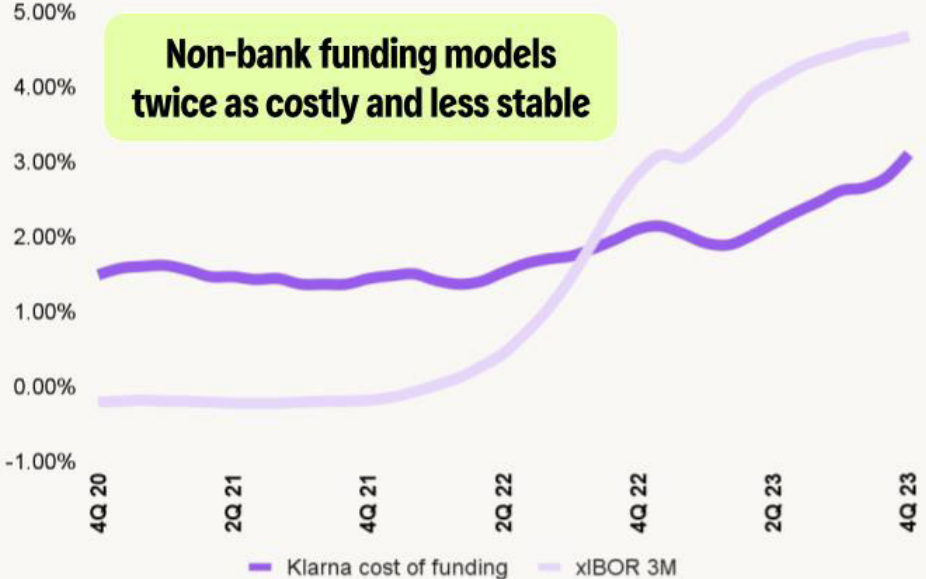
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Stable sources of funding
(Dec 2023)



- Deposits (95.4%)
- Bilateral loans (0.9%)
- Senior unsecured (0.5%)
- Commercial paper (0.2%)
- Subordinated debt (0.8%)
- Revolving credit facility (undrawn) (2.3%)

Prudent funding strategy built to withstand market volatility



**Non-bank funding models
twice as costly and less stable**

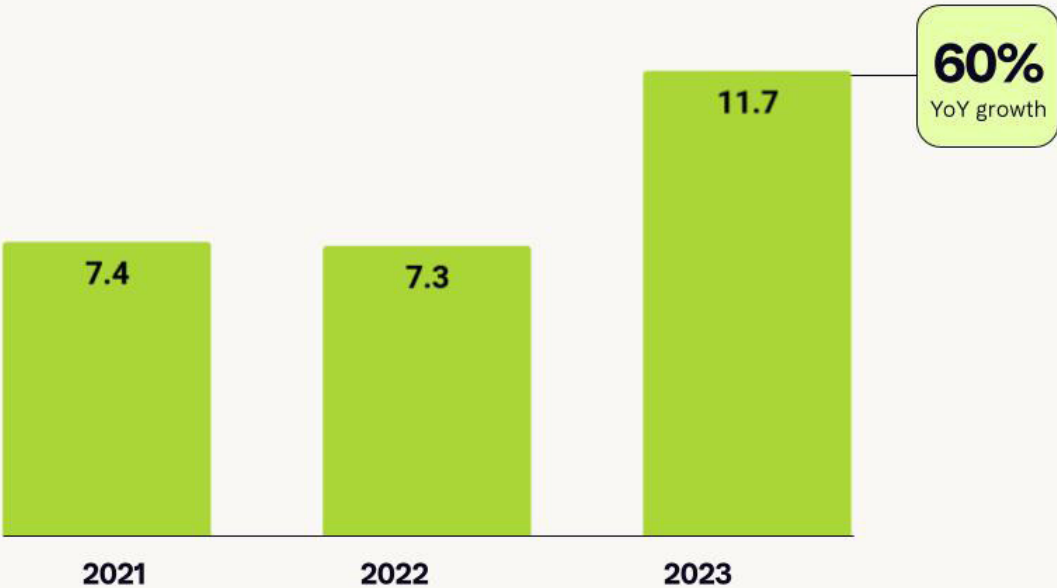
— Klarna cost of funding — xIBOR 3M

Lower transaction costs and increased US scale supports sharp margin growth

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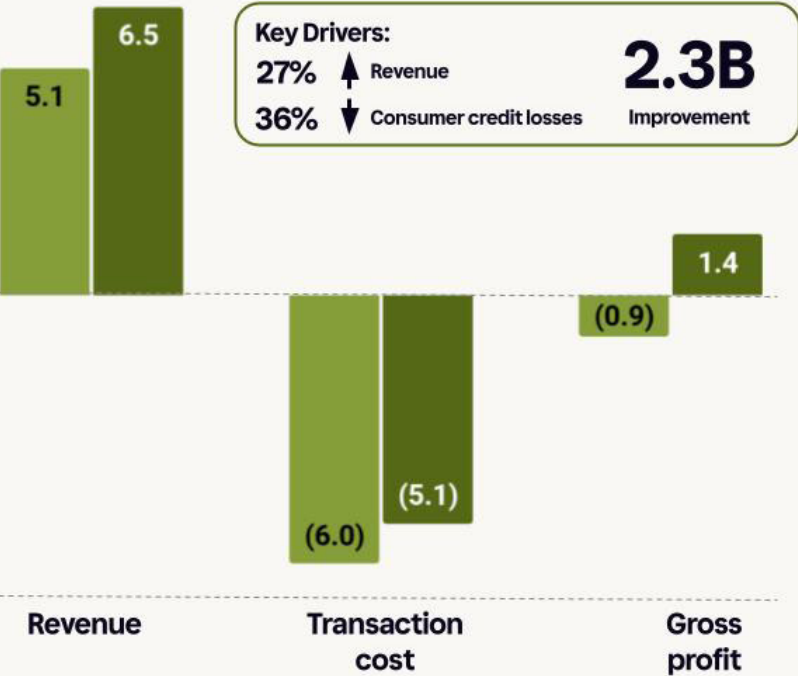
Group

Gross profit (SEKB)



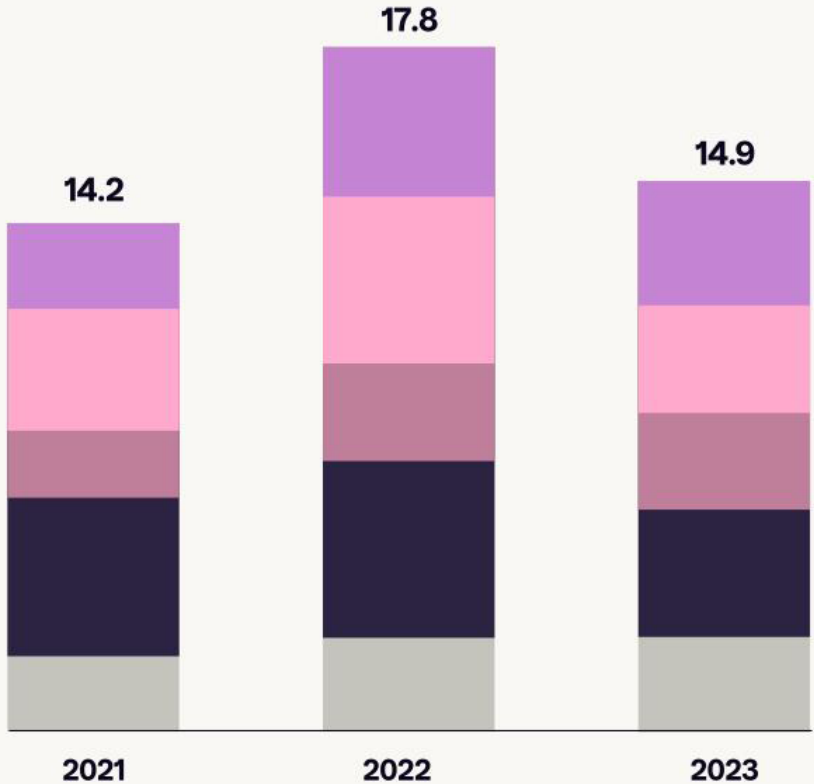
US region

2022 (SEKB) 2023 (SEKB)



Adoption of AI is driving operating expenses savings

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|---------------------------|
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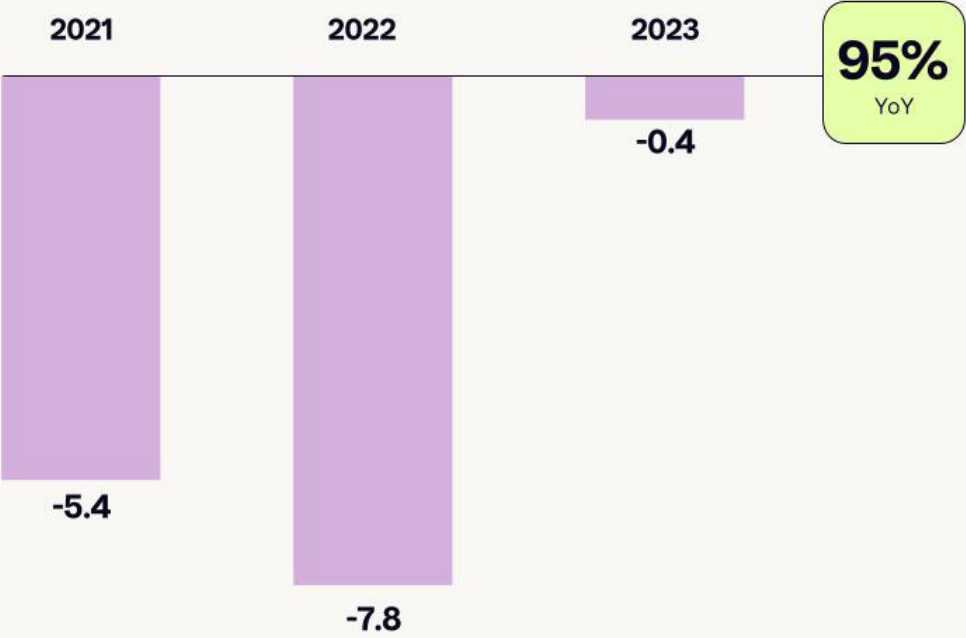
| P&L Item | 2023 YoY |
|----------------------------------|--------------|
| Technology & product development | (11)% |
| Sales and marketing | (31)% |
| Customer service & operations | (14)% |
| G&A | (10)% |
| Depreciation & Other | (7)% |
| Operating expenses | (16)% |

vs. +17% volume

All figures in SEK B

Strengthening all aspects of our business model, leading to improving profitability

| P&L Item |
|-----------------------|
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Adjusted operating result (SEKB)

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Capital, Liquidity & Funding



Key Indicators.

Current Snapshot (2023)

16.2%

CET1 ratio

720%

Liquidity Coverage Ratio

~23%

Liquid reserves / total assets¹

89%

Loans to deposit ratio²

BBB-/A-3

Klarna Bank, S&P Global

40 days

Average duration of
consumer lending

\$150

Average outstanding
balance per consumer

0.38%

Consumer credit
losses/Volume

Source: Company information

Financials and KPIs as of Q4 2023, unless otherwise stated

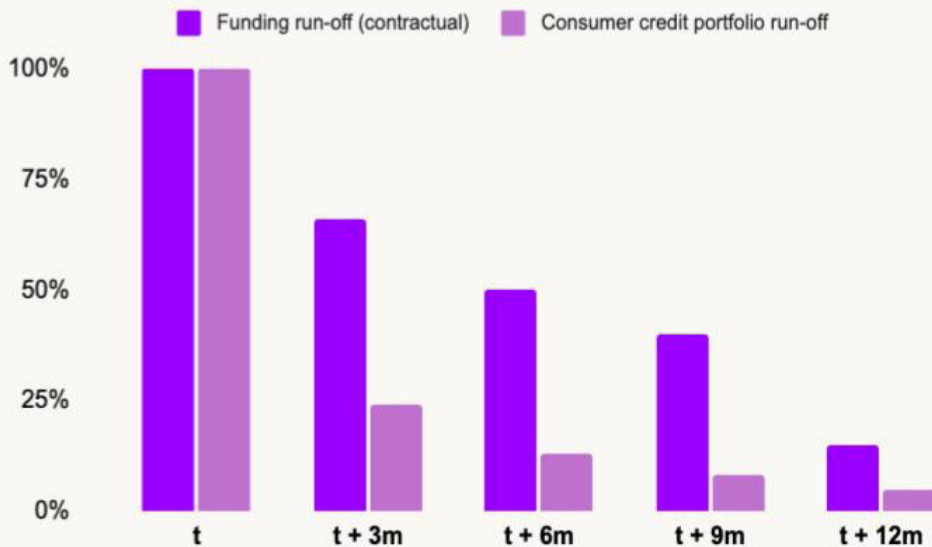
¹ (Cash at banks and central banks + treasury bills + bonds) / total assets

² Loans to public / deposits to public

Minimal liquidity risk

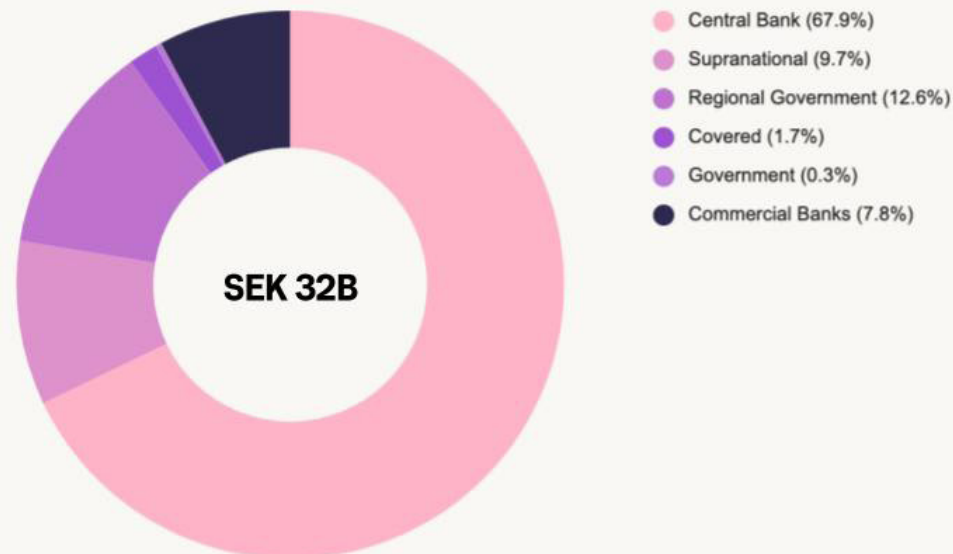
Balance sheet run-off (Dec 2023)

Asset-light business model that entails short term lending funded by longer term liabilities.



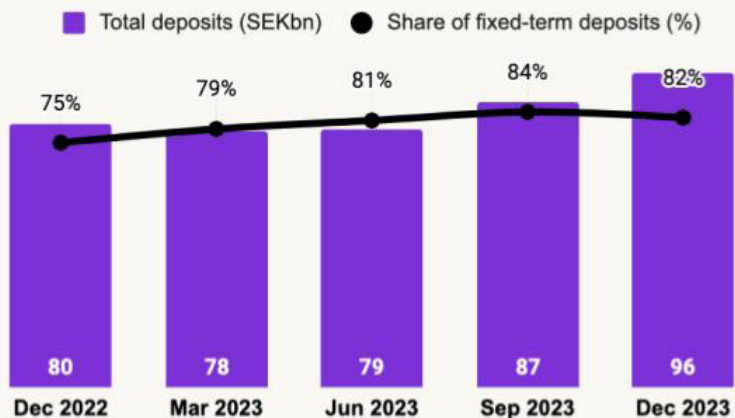
Liquidity reserve (Dec 2023)

Conservative risk management with liquidity reserve comprising 23% of total assets. 68% of liquidity reserve is cash at central banks.

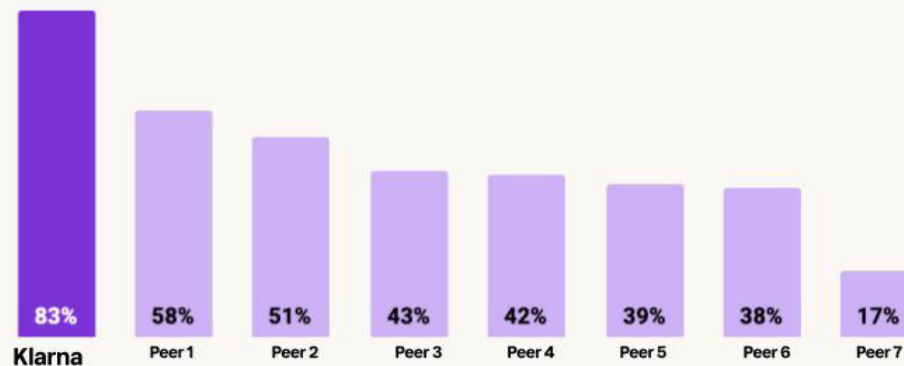


Deposits remain primary funding source with a large share of fixed-term funding

Deposit balances



Share of fixed-term funding*



68%

Deposit balances sourced via Klarna in-house products vs. 32% sourced via deposit platforms at Q423

264
days

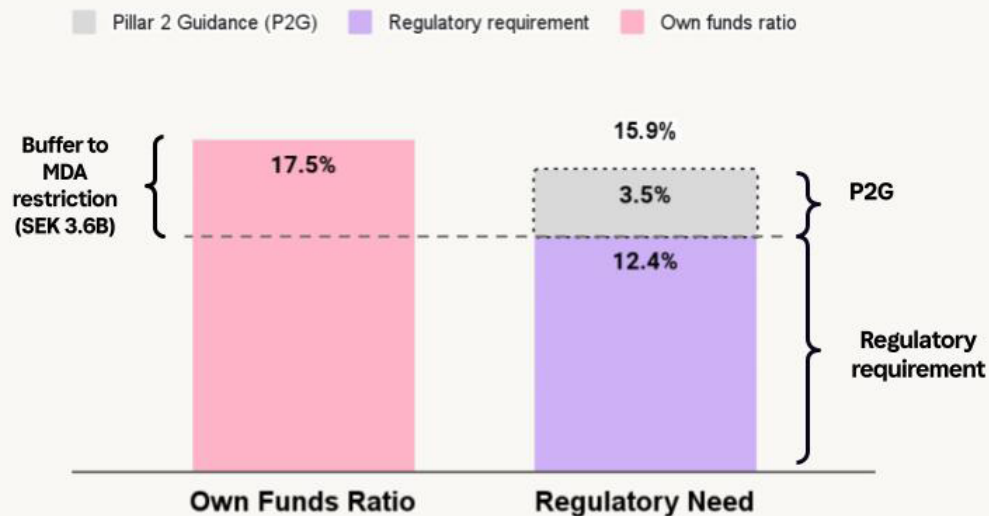
Average remaining duration of fixed-term deposits at Q423

* Includes deposits and debt securities, excluding capital instruments. Peer data sourced from 2022 annual reports.

Klarna continues to maintain a strong capital position well above regulatory guidance

Klarna Group Own funds ratio (Dec 2023)

Own funds ratio **+2pp** above regulatory need



| December 31, 2023 | SEKm | Capital ratios | Pro forma** |
|----------------------------|---------------|----------------|--------------|
| CET1 Capital | 11,632 | 16.2% | 16.2% |
| AT1 Capital instruments | 177 | | |
| Tier 1 Capital* | 11,809 | 16.4% | 18.5% |
| Tier 2 Capital instruments | 751 | | |
| Own Funds* | 12,560 | 17.5% | 19.6% |
| REA | 71,794 | | |

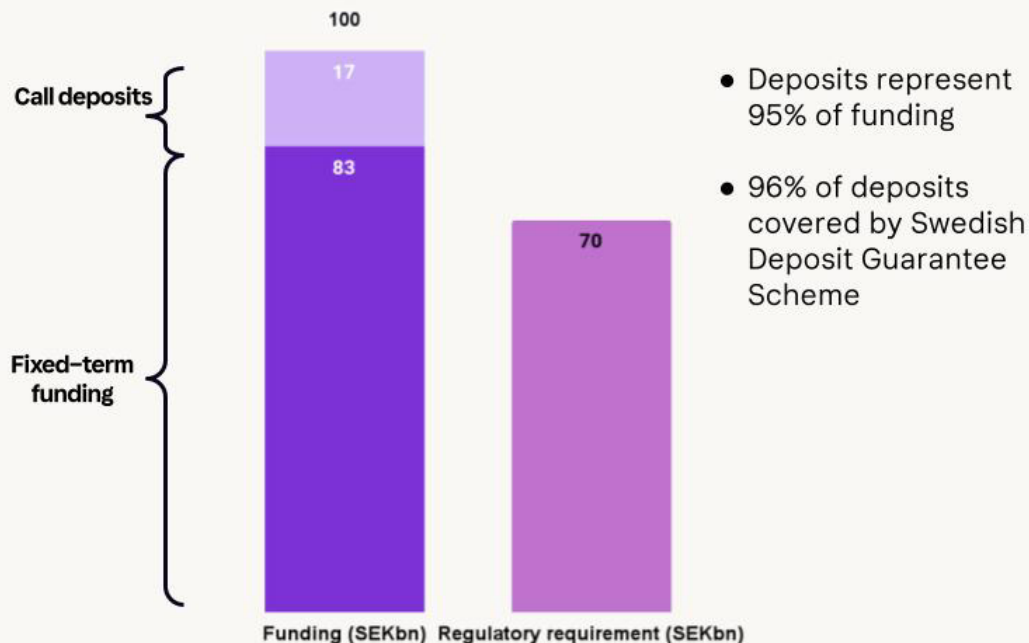
*Figures shown after prudential adjustments.

**After inclusion of SEK 1.5B AT1 settled on February 2024.

Ultra conservative approach to funding and liquidity

High share of fixed term funding¹ (Dec 2023)

Stable funding base protects against funding market disruptions



Strong liquidity metrics (Dec 2023)

Well above regulatory limits and major local banks



¹ Fixed term funding consists of fixed term deposits, senior unsecured and subordinated bonds, commercial papers, bilateral loans and revolving credit facility

² LCR = High Quality Liquid Assets (HQLA) / Projected Net Cash Outflows during a 30 days stressed period

³ NSFR = Total Available Stable Funding / Total Required Stable Funding

Regulatory requirement = Funding required to uphold regulatory liquidity limits, mainly the LCR

Klarna's winning fundamentals:

- **Track record of delivering**
- **Continuous compounding growth**
- **Global distribution**
- **Industry leading AI implementation**
- **US is now profitable**
- **Massive scale efficiencies**

Thank you

