Annual Report 2023

Klarna

Klarna Bank AB (publ). Organization no. 556737-0431

Contents

Financial information

The information on this page is presented for Klarna Holding AB (publ), if not otherwise stated. The financial statements for Klarna Bank AB are presented on p23.

Strong performance of the business over the year has delivered:

22%
Revenue
YoY growth FY23

SEK 23.5B
Revenue
FY23

17%
Gross merchandise volume [1]
YoY growth FY23

SEK 981B
Gross merchandise volume (GMV)
FY23

60%
Gross Profit
YoY growth FY23

SEK 11.7B
Gross profit
FY23

95%
Adjusted operating result [2] improvement
YoY FY23

0.38%
Consumer credit loss rate [3]
FY23

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

[2] 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 p70 of this report.

[3] Consumer credit losses as a % of Gross merchandise volume (GMV).

Financial Results - Klarna Holding

Amounts in SEKM	FY23	FY22	*FY23 YoY*
Gross merchandise volume	**980,892**	**837,285**	***17%***
Transaction and service revenue	19,798	15,403	*29%*
Interest income from operating activities	3,707	3,934	*(6)%*
Total revenue	**23,504**	**19,336**	***22%***
Processing and servicing	(5,700)	(5,165)	*10%*
Consumer credit losses	(3,766)	(5,563)	*(32)%*
Funding costs	(2,356)	(1,327)	*78%*
Transaction costs	**(11,822)**	**(12,055)**	***(2)%***
Gross profit	**11,682**	**7,281**	***60%***
Technology and product development	(3,045)	(3,415)	*(11)%*
Sales and marketing	(3,400)	(4,893)	*(31)%*
Customer service and operations	(2,420)	(2,817)	*(14)%*
General and Administrative (G&A)	(3,920)	(4,359)	*(10)%*
Depreciation, amortization and impairments	(2,392)	(1,639)	*46%*
Other income (expense), net	290	(633)	*n.m*
Operating expenses	**(14,887)**	**(17,755)**	***(16)%***
Operating result	**(3,204)**	**(10,474)**	***69%***
Restructuring costs	665	501	*33%*
Share-based payments	462	523	*(12)%*
Depreciation and amortization	1,699	1,639	*4%*
Adjusted operating result	**(378)**	**(7,811)**	***95%***
Income tax	665	34	*1,856%*
Net result for the period	**(2,539)**	**(10,440)**	***76%***
Key ratios			
Revenue take rate	*2.40%*	*2.31%*	*4%*
Consumer credit loss rate	*(0.38)%*	*(0.66)%*	*(42)%*
Gross margin	*50%*	*38%*	*12pp*

Letter from the CEO

Letter from the CEO

2023 was record-breaking year for Klarna

2023 was a year punctuated by many firsts, each marking a significant milestone in our relentless pursuit of accelerating commerce, now increasingly delivered through generative AI. We not only achieved our first month and quarter of profitability in four years, but also did so while maintaining a great growth trajectory across all markets and driving a gross profit margin of 50%. But those weren't the only firsts in 2023. In fact, the year was full of them:

Record improvement in operating result

This year of firsts has delivered an extraordinary shift in our financial performance based on the sustainable foundations of our business model. In addition to having achieved some profitability milestones we also improved our adjusted operating result by an incredible 95% on an adjusted basis, while continuing to drive strong GMV growth of 17% YoY. Our global growth is outpacing digital commerce [1] by almost 7 times!

As followers of Klarna you'll know that ensuring Klarna is leading the industry when it comes to responsible lending and sustainable, fair credit is very close to my heart. So I'm also incredibly pleased with our consumer credit loss performance while continuing to grow our volumes. This highlights the strength of our underwriting and how we are getting better and better at lending to people who pay us back and use Klarna again and again. Consumer credit losses were down 32% YoY in 2023, with consumer credit losses as a % of GMV remaining near historic lows of 0.38% for the year - that's a 42% improvement compared to 2022. Niclas will talk more about our performance in the CFO section and how we are presenting a more intuitive financial view of our business model.

While we continue on our journey to long-term profitability, we made a conscious decision to invest in growth in the peak shopping season of Q4. We will continue to invest wisely for growth and focus on being cost-effective on our path towards annual profitability.

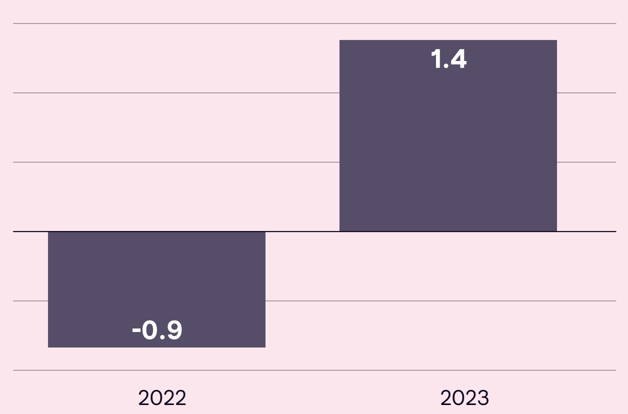
First full year of US gross profit

It's also the first year we turned the US market to gross profit, and not only did we do that, we made gains quarter on quarter, delivering SEK 1.4B in gross profit terms in FY23.

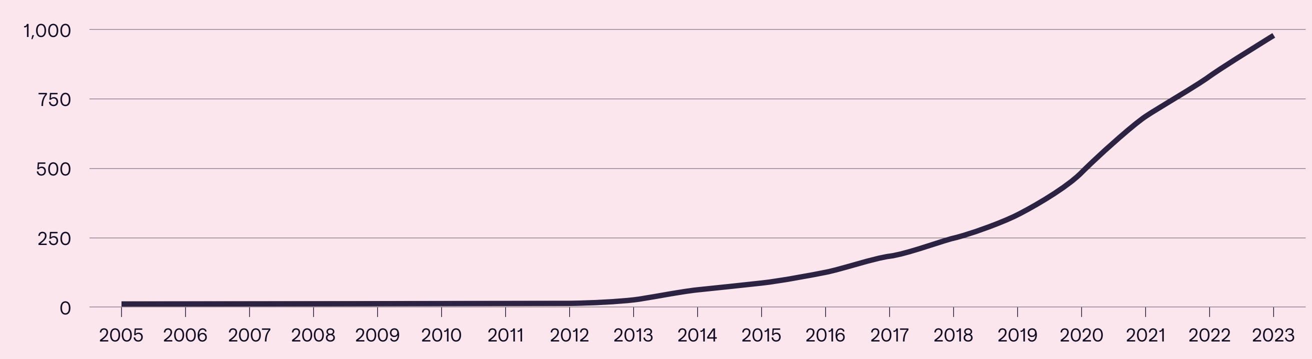
We are growing GMV an incredible 40 times faster than US digital commerce growth [4].

[1] Salesforce Shopping Index

US gross profit (SEKB)



Gross merchandise volume (SEKB)



First month with SEK 100B of GMV

Our products are gaining even more momentum with consumers as they realize the benefits of our flexible payments compared to interest-laden credit cards. As a result, we booked the biggest month ever in the history of Klarna, with over SEK 100B GMV. It's incredible to think that in this one month we delivered higher GMV than in the entirety of 2015. And off the back of this record GMV, we drove revenue up by 25% YoY in Q423.

Our strong partnerships with global retailers are key to this success. In 2023 we launched with the world's largest hospitality merchant, Airbnb. We are now live together in 12 markets, helping people pay for their stays flexibly. We also launched with iconic UK retailer Selfridges, European e-commerce powerhouse Zalando, Walmart Canada, Deichmann and launched in new markets with Samsung, Uniqlo and Nike among many, many others.

Klarna becomes AI-powered

In 2023, the era of generative AI truly arrived. I believe this is as transformative as the advent of the internet. We were quick to adopt generative AI - we were one of the first brands to build a ChatGPT plugin and the first bank to launch with ChatGPT enterprise. Currently, more than half of all Klarnauts use AI tools - many developed in-house by our own teams - on a day-to-day basis, significantly improving the services we provide for our consumers and retailers. At the same time, they are liberating themselves from repetitive administrative tasks, enabling them to focus on complex problems that only they can solve with their unique creativity and determination.

While our mission at Klarna remains the same - to accelerate commerce and provide the best possible experience for our consumers and retailers - the introduction of AI is undoubtedly accelerating our progress. With a wealth of AI-powered ideas in the pipeline, we're excited about the next few years as we continue to evolve our vision of Klarna as a comprehensive personal financial digital assistant.

A more personal first, which I was very excited about, was to address the finance ministers of 27 EU nations and the President of the European Central Bank for the first time about the future of the payments industry. As much as I believe in the power of digital transformation, sometimes nothing beats the power of in person communication. Which is also why it was super important to me to bring all Klarnauts together for our first face to face Smoooth Week since 2019 in Stockholm.

Finally, I want to take the opportunity to thank our investors, without whose unwavering support we could not continue on this amazing journey, our Klarnauts for their commitment and drive that powers the business, and our retailers and consumers, for their trust, for which I am always grateful. I am immensely proud of all the firsts in this 18th year of Klarna. I hope you all are looking forward to what Klarna has in store for 2024 as much as I am.

Sebastian Siemiatkowski
CEO and Co-founder, Klarna

Letter from the CFO

Letter from the CFO

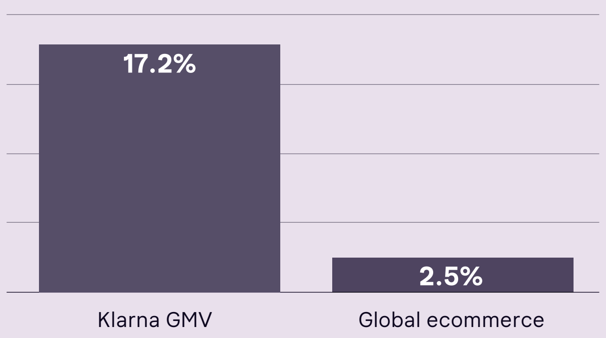
2023 has served as a definitive testament to the agility of our business model. We executed our strategy, fostering sustainable growth, a significant increase in gross profit margin, and substantial efficiencies. This was achieved at the same time as implementing generative AI across the company, which continues to have a transformative impact on our business. As a result, we improved our adjusted operating result by 95% YoY in FY23.

I wanted to take the opportunity to give you more of a deep dive into our financial performance. This is one of the main reasons we have added an additional view of our income statement, which you can see on the right hand page. Ultimately our operating result and net result remain the same. This presentation allows me to talk in more detail about our growth levers, from both a revenue perspective but also provide more transparency on our cost evolution, providing more and better insights into how Klarna operates as a business. You can find detailed reconciliations to our statutory financial statements on p20.

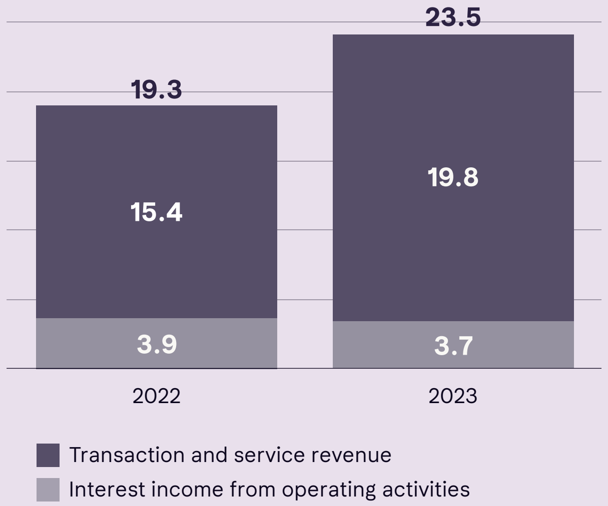
In 2023 we grew GMV almost 7 times faster than global digital commerce [1] with GMV increasing 17% YoY. In the US, we are outperforming digital commerce by 40 times. We're gaining increased value from that volume, with global revenue increasing 22% YoY, largely driven by our fee-based transaction and service revenue which increased 29% YoY. And we have plenty of headroom to continue to scale in our growth markets as consumer adoption drives market penetration.

Unlike conventional banks, ~70% of our revenue comes from retail partner fees linked to the volume we help generate, rather than interest on revolving consumer loans. To provide our consumers with further flexibility, we focus on providing fixed term loans that are interest bearing. 74% of these loans issued in 2023 were 6 months or less in duration. From our continued pink standards initiatives to remove revolving credit and unnecessary fees, consumer interest income decreased 6% YoY.

FY23 growth



Revenue (SEKB)



[1] Salesforce Shopping Index

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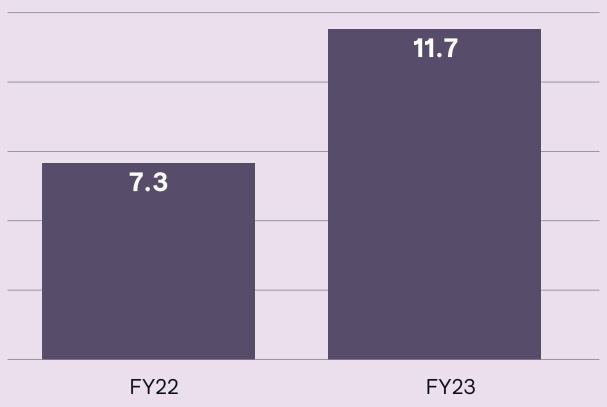
This year we have maintained strong control of our direct cost base despite inflationary and interest rate pressures, with transaction costs as a whole declining 2% YoY in FY23. Within transaction costs, processing and servicing fees increased 10% largely due to the associated increase in volumes but with a growth rate well behind GMV as our growing scale delivers further cost efficiencies. As we have scaled, particularly in our growth markets, our proprietary underwriting models have improved, delivering a reduction in consumer credit losses of 32% YoY, contributing to consistently low consumer credit loss rates – just 0.38% of GMV for FY23. Because over 81% of our balance sheet turns over in 3 months or less, we can drive improvements in credit losses across our portfolio very quickly.

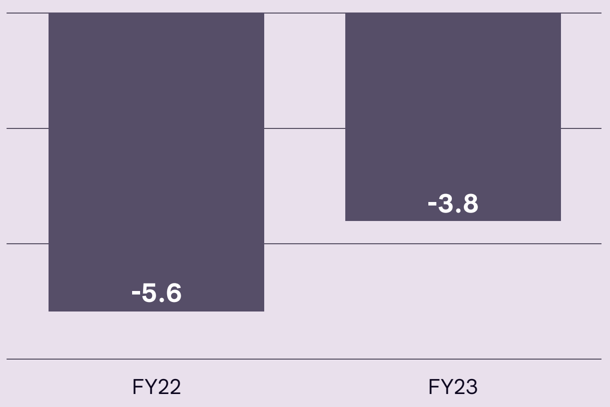
We have a unique and conservative approach to liquidity where 82% of our funding is fixed term and has a longer duration than our average loan portfolio of 40 days. This means we can manage short term interest rate changes over a longer period, effectively mitigating the impact of sudden market shifts. This has also allowed us to continue to maintain very low funding costs, representing just 10% of revenue and under 9% of our total cost base, despite the sharpest interest rate increases in the last decade.

At its core Klarna's business model, as described above, delivers long-term sustainable gross profit. Klarna demonstrated this through operating profitability for the first 14 years of its existence. In 2018 there was a strategic shift to invest in taking the model and the brand to key larger growth markets, the US and the UK. As the US has generated increasing gross profits for 5 consecutive quarters, in FY23 we delivered a Group gross profit margin of 50%, increasing 12pp YoY, while gross profit increased 60% YoY.

Gross profit (SEKB)



Consumer credit losses (SEKB)

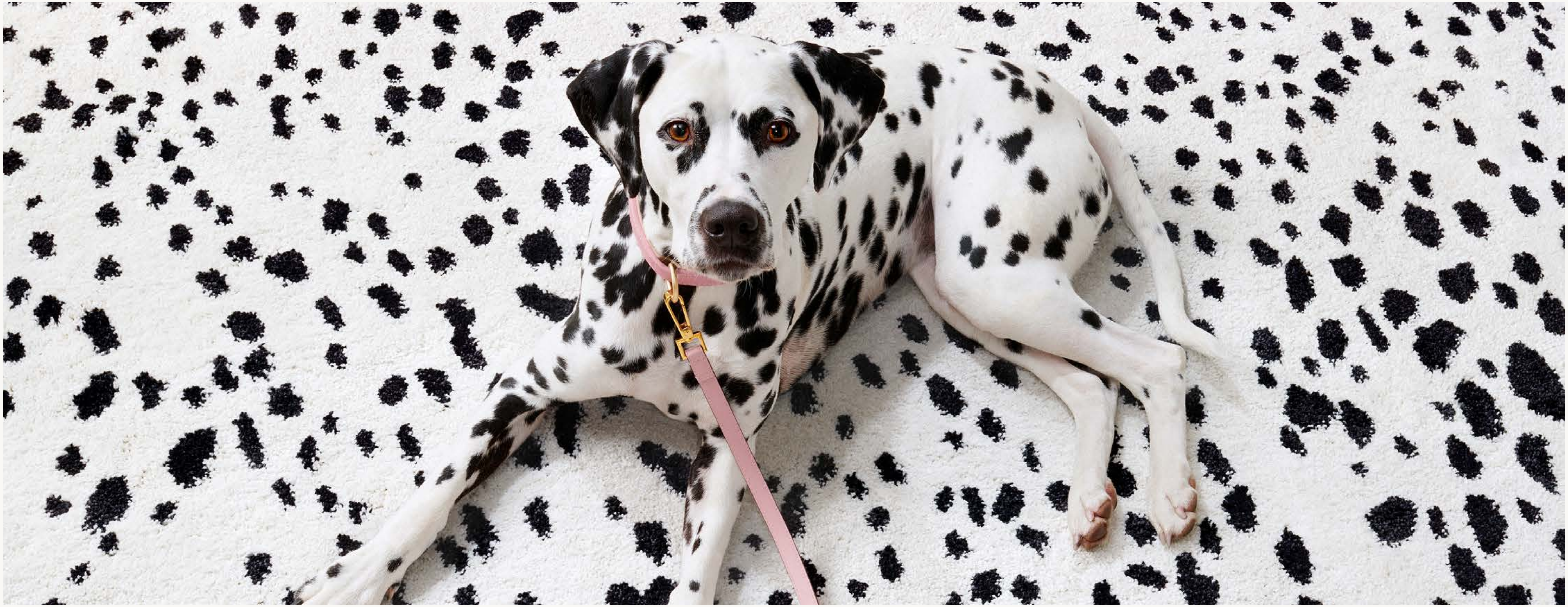


Klarna's continued growth and scale, coupled with our focus on cost control and the strategic utilization of AI for enhancing productivity and efficiency, have positively impacted our operating leverage. We reduced operating expenses by -16% YoY, including G&A by -10%, technology and product development costs by -11% and customer service and operations by -14% YoY. With our increased scale in growth markets and higher brand awareness, we have increased the efficiency of every dollar spent, delivering significant growth for both Klarna and our retail partners while reducing sales and marketing costs by -31% YoY. As a result, in FY23, we increased our incremental volume generated per SEK spent on sales and marketing by 40%.

Overall our investments over the past 3 years have allowed us to scale the business and solidify our network across all the markets. With our key US growth market now delivering gross profits, 98% of our GMV in 2023 is generating a gross profit, allowing us to deliver a 50% gross margin. With our continued investment in AI, coupled with compounding growth, our overall operating result has improved by 69% and by 95% on an adjusted basis.

We are excited about the future and remain committed to delivering value to our shareholders while providing exceptional service to our customers.

Niclas Neglen
Chief Financial Officer, Klarna



Report from the Board of Directors

Report from the Board of Directors

Business overview

The Board of Directors and CEO of Klarna Bank AB (publ) hereby submit the report for the period January 1 to December 31, 2023. This report contains the financial statements for Klarna Bank AB (publ) and the consolidated financial statements for the company and its subsidiaries as well the corporate governance report. The report has been prepared in millions 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 about their finances.

Klarna is on a mission to accelerate commerce by putting customers at the heart of everything we do. We began by revolutionizing the retail banking industry before expanding into commerce solutions with strategic investments to solve real problems identified through consumer insights in the shopping journey. Our success is the result of strong relationships with consumers, retailers, and partners built on trust. Maintaining this trust, especially in the finance industry, requires ethical practices and doing what's right. These principles are woven into all aspects of our business, including data privacy, corporate governance, and fair treatment of employees.

Business results

Net operating income

In FY23 Klarna's GMV growth outpaced global e-commerce[6] by almost 7 times, fulfilling our mission to accelerate commerce while helping consumers save time and money, and worry less about their finances. GMV increased 17% YoY to SEK 981B (FY22: SEK 837B) and Total Net Operating Income increased 23% YoY to SEK 20.4B in FY23 (FY22: SEK 16.6B).

Our commission income - primarily the fees retailers pay Klarna - increased 30% to SEK 17.8B (FY22: SEK 13.7B). This is due to growing consumer adoption that boosted payment volumes processed through the Klarna network and the continued growth in global retail partnerships to over 550K.

Interest income increased primarily due to interest earned on liquid assets held with other credit institutions such as our overnight deposit portfolio, as opposed to consumer interest from our Fair Financing product. Interest income grew 17% YoY to SEK 4.8B (FY22: SEK 4.1B) at a significantly slower pace than revenue and total net operating income. Interest expenses represent just 13% of total operating expenses increasing to SEK 3.1B (FY22: SEK 1.2B) at the end of the period. The increase was driven by deposits from the public increasing YoY to SEK 97.1B (FY22: SEK 81.5B) 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.

[1] Salesforce Shopping Index

Operating expenses

Total operating expenses before credit losses have decreased by 7% YoY to SEK 19.6B (FY22: SEK 21.1B) as Klarna harnessed the power of generative AI to drive productivity and efficiency gains.

Average FTEs over the year were 5,545. Headcount at the end of the year was 4,201.

Klarna continued to drive volume growth while reducing credit losses, highlighting its agility in operating leverage. Credit loss performance improved 29% YoY with credit losses declining to SEK 4.0B (FY22: SEK 5.7B for the period.

Klarna Bank's operating result for the period was SEK -3.3B (FY22: SEK-10.2B), a 68% YoY improvement. Net result for the period improved 74% to SEK -2.6B (FY22: SEK -10.2B).

Balance sheet

Outstanding loans at 31 December 2023, loans to the public, increased 16% YoY to SEK 86.1B (FY22: SEK 74.0B) as a result of significant GMV growth across key markets. It's important to note this does not represent all loans originated in FY23. Klarna's balance sheet turns over c12x per year due to the short duration of our loans thanks to products such as Pay Now, Pay in 30 and Pay in 3 or 4. This means c92% of volumes generated during 2023 were repaid during the year. Outstanding loans at 31 December represent only those loans yet to be repaid. This rapid turnover rate is a key factor in our efficient use of capital to generate revenues, ensuring an asset-light balance sheet, setting us apart from more traditional banks whose longer loan durations tie up capital for extended periods. It also allows us to finely control credit losses and see any changes we make to underwriting impact our balance sheet very quickly. The CET1 ratio for Klarna Bank AB is 16.1%.

Branches abroad

Klarna Bank AB (publ) operates Klarna Bank AB Danish Branch, Klarna Bank AB French Branch, Klarna Bank AB Irish Branch, Klarna Bank AB German Branch, and Klarna Bank AB UK Branch. Klarna Bank AB Sucursal em Portugal (Klarna Bank AB's Portuguese Branch) was closed on 29 December 2023, although Klarna remains an active participant in the Portuguese market.

Interactions 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 publication in the EU Official Journal in November 2023, European institutions have finalized their revision of the European Consumer Credit Directive, expected to be transposed in all 27 EU Member States before November 2025 and to come into force at the end of 2026. Klarna welcomes the finalization of the text to reinforce, streamline and modernize consumer credit rules to ensure they are future proof and better protect consumers across the EU and we are pleased to see that the EU political agreement includes proposals for a proportionate regime for BNPL. 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

- 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.
- On 5 July 2023, Klarna Bank AB called an outstanding SEK 300m Tier 2 bond.
- On 12 October 2023 Klarna Bank resolved to issue 7,264,011 shares to Klarna Holding following receipt of a capital contribution.

Future development

Klarna is on a mission to accelerate commerce. We will continue to expand our commerce solutions, powered by generative AI, to better serve our global base of consumers and retailers. We will continue to invest in our products and services including the Klarna app, Card, bank accounts, open banking and our marketing services to create a strong platform for future growth as the shopping destination of the future.

Proposed treatment of unappropriated earnings

The Board and the CEO propose to the Annual General Meeting that the non-restricted equity of SEK 14,445,057,114 on Klarna Bank (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward.

Additional Tier 1 instruments	276,000,000 SEK
Other reserves	(133,700,902) SEK
Retained earnings	17,292,587,164 SEK
Net result for the year	(2,989,829,148) SEK
Total	**14,445,057,114 SEK**

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

Corporate Governance

Corporate Governance

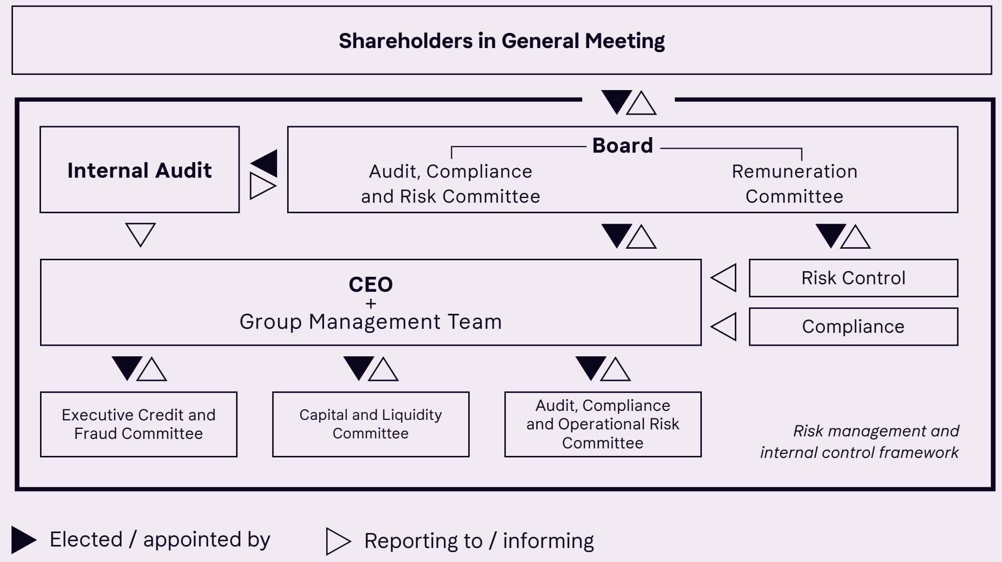
About Klarna

Klarna Bank AB (corporate registration no. 556737-0431) ("Klarna") is a Swedish public limited liability company licensed to carry out banking activities under the supervision of the Swedish Financial Supervisory Authority (SFSA). Klarna is categorized by the SFSA as a category 2 institution[1].

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

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

When signing the annual accounts on February 27, 2024, the Board of Directors also approved the Corporate Governance Report.



External Framework
Laws, regulations, good credit market practice, prescribed practices or ethical standards (Code of Conduct), authorities' rules and recommendations.

Internal Framework
Articles of Association, Rules of Procedure of the Board including CEO Instruction, policies, instructions, routines, guidelines, Code of Conduct and Klarna's values.

Governance

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

Corporate Governance Structure

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

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

Framework for corporate governance

External Framework

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

Internal Framework

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

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

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

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

Articles of Association

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

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

Klarna's organization

Klarna is structured into various Business Units, internally known as "Domains". Each of these Business Units is composed of multiple Groups, which in turn are composed of Teams. The responsibilities of each team, group and domain is clearly defined and documented.

Within each Business Unit, there is a dedicated Business Unit Manager overseeing operations, The Business Unit Managers report to a member of the Group Management Team.

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

The Group Management Team is formed of the CEO, Chief Product and Design Officer, Chief Operating Officer, Chief Financial Officer, Chief Marketing Officer, Chief Technology Officer, Chief Commercial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Information Security Officer and Chief Credit Risk Officer.

General meeting

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

Voting rights

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

Mandate to repurchase and convey own shares

The annual general meeting 2023 neither decided on authorisation to acquire nor convey own shares in Klarna. Consequently, the Board of Directors did not have such authorisations in 2023.

Mandate to issue shares and warrants

The annual general meeting held on June 26, 2023, authorized the Board to issue 3,013,594 shares and 3,013,594 warrants.

Klarna's qualified shareholders

Klarna Holding shareholders >10% are as follows:

Shareholder	% of votes/ownership
Funds advised by Sequoia	20.37%
Heartland	10%

Klarna Bank AB is 96.73% owned by Klarna Holding AB.

The Board

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

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

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

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

Board members

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

Michael Moritz, Chairman of the Board
Michael is a senior adviser and Board Member of Sequoia Heritage and was a Partner at Sequoia Capital between 1986 and 2023. Michael has served on the Boards of companies such as Google, Yahoo, PayPal, and Stripe. He has served on the Board of Klarna since 2010.

Sebastian Siemiatkowski, CEO
As the co-founder and CEO of Klarna, Sebastian has spent nearly the last two decades challenging the big banks and revolutionizing the world of e-commerce both in Sweden and abroad. Using his degree from the Stockholm School of Economics and years of sales experience, Sebastian has led Klarna to become one of the top global payments and shopping service providers in the world.

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

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

Sarah Smith, Board member
Sarah has over 20 years of experience in banking. She worked at Goldman Sachs from 1996 to 2021, having served as Chief Compliance Officer, Controller and Chief Accounting Officer. She serves on the boards of Via Transportation, 98point6, PCAP, and AON. She is also a member of the Board of Trustees of the Financial Accounting Foundation.

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

Roger W. Ferguson Jr., Board member
Roger is the Steven A. Tananbaum Distinguished Fellow for International Economics at the Council on Foreign Relations. He was the president and CEO of TIAA and the former Vice Chairman of the Board of Governors of the U.S. Federal Reserve System. He serves on the boards of Alphabet, Corning, and International Flavors & Fragrances.

Matt Miller, Board member
Matt is a Partner at Sequoia focused on early and growth stage investments in technology companies across the US and Europe. Over the last 12 years at Sequoia, Matt serves on the boards of Confluent, Grafana, dbt Labs, Hex, Graphcore , Yokoy and Tecton. Matt moved from California to London in 2021 to help launch Sequoia's European office. Prior to Sequoia, Matt worked at Goldman Sachs and graduated from Brigham Young University.

The Chairman

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

Chief Executive Officer

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

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

As part of the Rules of procedure of the Board, the Board has adopted an instruction for the CEO's work and duties which also regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO appoints the heads of corporate functions (CXOs). The Board appoints the heads of the control functions and the Money Laundering Reporting Officer (MLRO). The CEO is Sebastian Siemiatkowski.

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

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

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

Diversity

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

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

Number of assignments

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

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

Training

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

Board committees

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

Remuneration Committee

The Remuneration Committee (RemCo) is responsible for preparing and presenting proposals to the Board on remuneration issues. This duty includes proposals regarding the Group's Remuneration Policy and on remuneration to members of the Group Management Team, which includes CXOs and heads of control functions. Klarna's Board has adopted a Remuneration Policy which creates standardized remuneration structures throughout the organization. This is revised when necessary and at least annually.

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

Members during 2023: Omid Kordestani (Chair), Michael Moritz and Sarah Smith.

Audit, Compliance & Risk Committee

The Audit, Compliance & Risk Committee (ACRC) is responsible for oversight and preparation of all matters related to audit (both internal and external), compliance, risk and financial reporting and related internal control arrangements. ACRC held 9 meetings in 2023 and provided regular updates to the Board on matters pertaining to its responsibilities. More information about the number of meetings and attendance can be found below.

Members during 2023: Sarah Smith (Chair), Mikael Walther and Lise Kaae.

Meetings and attendance

The table shows the number of meetings held in 2023[2] by the Board of Directors and its committees as well as the attendance of the individual Board members:

2023	KHAB Board of directors	KBAB Board of directors	Audit, Compliance and Risk Committee	Remuneration Committee	Independence in relation to the Company	Independence in relation to significant shareholders
Number of meetings	24	14	9	5		
(of which are email resolutions)	17	7	0	3		
Michael Moritz	24	14	-	5	No	Yes[3]
Sebastian Siemiatkowski	24	14	-	-	No	No
Sarah Smith	24	14	9	5	Yes	Yes
Lise Kaae	24	14	9	-	Yes	No
Mikael Walther	24	14	9	-	Yes	No
Omid Kordestani	24	14	-	5	Yes	Yes
Roger W. Ferguson Jr.	24	14	-	-	Yes	Yes
Matt Miller	1	1	-	-	Yes	No

Group Management Team

The CEO works together with Klarna's Group Management Team. The Group Management Team consists of CXOs and heads of control functions and is responsible for matters of common concern across corporate functions, strategic issues, business plans, financial forecasts and reports. The Group Management Team usually meets weekly or when the CEO convenes a meeting.

The Group Management Team consists of:

- Sebastian Siemiatkowski, CEO
- David Fock, Chief Product and Design Officer
- Camilla Giesecke, Chief Operating Officer
- Niclas Neglén, Chief Financial Officer
- David Sandström, Chief Marketing Officer
- Yaron Shaer, Chief Technology Officer
- David Sykes, Chief Commercial Officer
- Joachim Reuss, Chief Risk Officer
- Joaquín Calderón, Chief Compliance Officer
- David Currie, Chief Information Security Officer
- Arvind Varadhan, Chief Credit Risk Officer

[2] As of December 29, 2023.

[3] The committees in the table are committees of the Klarna Bank AB Board. As the members of the ACRC (and all Klarna Bank Board members) are also members of the Klarna Holding Board, the Klarna Holding Board has the benefit of consideration undertaken and recommendations made by the ACRC.

Group management committees

The CEO has, besides the Group Management Team, three separate committees at his disposal for the purpose of managing operations:

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

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

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

Risk management, risk reporting, and control functions

Risk management is central to Klarna's operating model and underpins all activities conducted throughout the organization. The purpose of risk management is to safeguard Klarna's long-term viability, mitigate volatility in financial performance, enhance operational resilience and performance, and facilitate informed decision-making. Klarna's risk management governance model encourages a risk-aware culture combined with control structures which are monitored and enforced by independent control functions. Key controls are documented and assessed on a regular basis, with assessments considering both effectiveness of design and operation. The risk strategy is a natural extension of the business model that focuses on identification, assessment, management and monitoring of the material risks that Klarna is exposed to.

Risk Governance

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

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

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

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

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

The **second line of defense**, consisting of the functions Risk Control and Compliance, oversees risk. These functions set the principles and framework for risk management, facilitate and challenge risk assessments, perform independent control testing, and report on adherence to risk appetites, limits and frameworks.

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

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

Risk Strategy and Appetite

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

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

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

Risks

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

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

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

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

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

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

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

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

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

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

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

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

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

Klarna actively manages its liquidity risk exposure and sources of liquidity by calculating, forecasting and managing the size of the High Quality Liquid Assets (HQLA) portfolio and the funding needs to ensure that Klarna always has the ability to fulfill its commitments as they fall due and meet regulatory requirements. Klarna invests in financial instruments for liquidity management purposes, and mostly in high credit quality sovereign and municipal government securities.

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

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

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

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

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

Klarna has no appetite for its products and services being misused for financial crime. It does not accept any deliberate, inadvertent or systemic breaches of applicable AML/CTF laws and regulations, or relevant sanctions regimes, as further elaborated in the AML & CTF Policy.

ICT and Security Risk is defined as: the risk of failures or breaches in information or communication systems or physical security including system outages, software failures, data breaches, physical security breaches or cyber-attacks.

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

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

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

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

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

ESG risks are identified through a periodic double materiality assessment to determine the key themes that could impact Klarna. Action plans are developed to further manage the individual risks.

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

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

Risk reporting

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

Internal Control and Financial Reporting

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

Internal Audit

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

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

The Board has decided to outsource Klarna's Internal Audit Function to an external party and has appointed Deloitte as Internal Auditor.

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

External Audit

Klarna's external auditors are formally elected at the General Meeting on an annual basis in line with Swedish Company law. Ernst & Young AB was re-elected at the 2023 AGM as external auditor for the period up to the 2024 AGM.

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

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

Insider administration

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

Insiders are identified on a case-by-case basis whenever inside information is detected and are subsequently registered in a related insider register and notified of their insider status. All identified insiders are then prohibited from dealing in the financial instrument(s) to which the inside information relates until that information is made public or otherwise no longer deemed to be inside information, and the insider register is closed.

As Klarna's shares are not admitted to trading on a regulated market, Klarna's obligations under the EU Market Abuse Regulation No 596/2014 (MAR) relate only to its corporate bonds listed on Nasdaq Stockholm. Klarna does not maintain a permanent insider register under EU Market Abuse Regulation No 596/2014 (MAR).

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

Key Financial and performance measures

Financial Results - Klarna Holding

Amounts in SEKM	FY23	FY22	*FY23 YoY*
Gross merchandise volume	**980,892**	**837,285**	***17%***
Transaction and service revenue	19,798	15,403	*29%*
Interest income from operating activities	3,707	3,934	*(6)%*
Total revenue	**23,504**	**19,336**	***22%***
Processing and servicing	(5,700)	(5,165)	*10%*
Consumer credit losses	(3,766)	(5,563)	*(32)%*
Funding costs	(2,356)	(1,327)	*78%*
Transaction costs	**(11,822)**	**(12,055)**	***(2)%***
Gross profit	**11,682**	**7,281**	***60%***
Technology and product development	(3,045)	(3,415)	*(11)%*
Sales and marketing	(3,400)	(4,893)	*(31)%*
Customer service and operations	(2,420)	(2,817)	*(14)%*
General and Administrative (G&A)	(3,920)	(4,359)	*(10)%*
Depreciation, amortization and impairments	(2,392)	(1,639)	*46%*
Other income (expense), net	290	(633)	*n.m*
Operating expenses	**(14,887)**	**(17,755)**	***(16)%***
Operating result	**(3,204)**	**(10,474)**	***69%***
Restructuring costs	665	501	*33%*
Share-based payments	462	523	*(12)%*
Depreciation and amortization	1,699	1,639	*4%*
Adjusted operating result	**(378)**	**(7,811)**	***95%***
Income tax	665	34	*1,856%*
Net result for the period	**(2,539)**	**(10,440)**	***76%***
Key ratios			
Revenue take rate	*2.40%*	*2.31%*	*4%*
Consumer credit loss rate	*(0.38)%*	*(0.66)%*	*(42)%*
Gross margin	*50%*	*38%*	*12pp*

Reconciliation of alternative performance measures

Klarna uses certain alternative performance measures for financial performance. These include revenue, gross profit, and adjusted operating results. Klarna believes these measures are important for assessing performance as they reflect underlying business activity and performance. This includes growing revenue and core profitability, and managing expenses, since these measures exclude items that are generally not a function of the company's underlying operating performance.

Reconciliation of revenue to total net operating income

Amounts in SEKM	FY23	FY22
Revenue (Management view)	**23,504**	**19,336**
Commission expenses	(1,003)	(724)
Net result from financial transactions	(150)	(1,050)
Interest expenses	(2,860)	(1,050)
Interest income from liquidity assets	1,139	192
Total net operating income (Statutory financial accounts)	**20,629**	**16,703**

Revenue is defined as total net operating income in accordance with IFRS excluding; commission expense, interest expense, net result from financial transactions and interest on liquidity assets not related directly to the core business. Interest on liquidity assets that are not directly related to the core business stems from loans to credit institutions and other interest income (see note 5).

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 total net operating income to gross profit

Amounts in SEKM	FY23	FY22
Total net operating income (Statutory financial accounts)	**20,629**	**16,703**
Including		
Processing and servicing	(5,700)	(5,165)
Consumer credit losses	(3,766)	(5,563)
Excluding		
Interest expenses*	(44)	(48)
Commission expenses*	(772)	(635)
Net result from financial transactions*	296	(623)
Gross profit (Management view)	**11,682**	**7,281**

* of which are not directly related to revenue-generating activities.

Gross profit is defined as total net operating income in accordance with IFRS, including costs related to processing and servicing (within statutory metric, general administrative expenses) and consumer credit losses (within statutory metric, credit losses, net). Costs of which are not directly related to revenue-generating activities within interest expenses, commission expenses and net result from financial transactions are excluded.

Klarna believes gross profit is the best indicator of the core profitability of the company's business activities before the deduction of indirect costs.

Reconciliation of gross profit to operating result

Amounts in SEKM	FY23	FY22
Gross profit (Management view)	**11,682**	**7,281**
Operating expenses	(14,887)	(17,755)
Operating result (Statutory financial accounts & Management view)	**(3,204)**	**(10,474)**

Operating result is defined as Gross profit after including all operating expenses which are not directly related to revenue generating activities.

Reconciliation of IFRS operating results to adjusted operating result

Amounts in SEKM	FY23	FY22
Operating result	**(3,204)**	**(10,474)**
Restructuring costs	665	501
Share-based payments	462	523
Depreciation and amortization*	1,699	1,639
Adjusted operating result	**(378)**	**(7,811)**

Adjusted operating result 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 assets to optimize operational efficiency. As a result of this review, the company made a strategic decision to right-size its office footprint and early terminate certain lease agreements, and to cease certain activities resulting in a write down of certain intangible assets. The total one-time financial impact in 2023 as a result amounted to SEK 693 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.

Group and parent company financials

Five Year Summary, Group

Amounts in SEKm	2023	2022	2021	2020	2019
Income statement					
Total net operating income	20,361	16,566	13,754	10,000	7,155
Operating result	(3,263)	(10,234)	(6,581)	(1,629)	(1,089)
Net result for the year	(2,606)	(10,207)	(7,093)	(1,376)	(902)
Balance sheet					
Loans to credit institutions	4,500	3,783	4,990	2,614	1,907
Loans to the public	86,108	73,983	62,087	41,718	29,655
All other assets	46,375	46,364	38,449	17,463	8,306
Total assets	**136,983**	**124,130**	**105,526**	**61,795**	**39,868**
Liabilities to credit institutions	1,636	2,829	713	2,415	4,940
Deposits from the public	97,096	81,470	59,670	30,835	12,288
All other liabilities	23,543	27,776	26,697	22,221	17,345
Total equity	14,708	12,055	18,446	6,324	5,295
Total liabilities and equity	**136,983**	**124,130**	**105,526**	**61,795**	**39,868**
Key ratios and figures[1]					
Return on equity	(24.4)%	(67.1)%	(53.1)%	(28.0)%	(23.1)%
Return on assets	(2.0)%	(8.9)%	(8.5)%	(2.7)%	(2.7)%
Debt/equity ratio	8.8	6.5	5.8	7.7	6.2
Equity/assets ratio	10.7%	9.7%	17.5%	10.2%	13.3%
Own funds (Total capital)[2]	12,560	15,548	19,855	13,530	8,448
Capital requirement[2]	5,743	5,487	4,947	3,391	2,116
Total capital ratio[2]	17.5%	22.7%	32.1%	31.9%	31.9%
Average number of full-time equivalents[3]	4,972	6,002	4,789	3,238	2,248

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

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

[3] Number of employees (headcounts) as at December 31, 2023 amounted to 4,201 (5,441).

Five Year Summary, Parent Company

Amounts in SEKm	2023	2022	2021	2020	2019
Income statement					
Total net operating income	12,726	11,236	10,487	8,421	6,220
Operating result	(2,996)	(8,891)	(5,579)	(1,374)	(1,077)
Net result for the year	(2,990)	(8,879)	(6,046)	(1,174)	(738)
Balance sheet					
Loans to credit institutions	1,880	991	1,965	1,723	1,192
Loans to the public	80,958	76,474	64,366	38,025	28,536
All other assets	59,205	46,649	38,189	22,522	8,909
Total assets	**142,043**	**124,114**	**104,520**	**62,270**	**38,637**
Liabilities to credit institutions	1,264	2,829	712	2,386	4,940
Deposits from the public	96,789	81,162	59,409	30,682	12,252
All other liabilities	27,866	26,381	25,207	22,747	16,410
Total equity	16,124	13,742	19,192	6,455	5,035
Total liabilities and equity	**142,043**	**124,114**	**104,520**	**62,270**	**38,637**
Key ratios and figures[1]					
Return on equity	(20.1)%	(54.0)%	(43.5)%	(23.9)%	(20.8)%
Return on assets	(2.2)%	(7.8)%	(7.3)%	(2.3)%	(2.2)%
Debt/equity ratio	7.9	5.9	5.5	7.8	6.4
Equity/assets ratio	11.4%	11.1%	18.4%	10.4%	13.0%
Own funds (Total capital)	14,820	13,191	19,722	7,278	5,419
Capital requirement	7,217	6,405	5,572	3,830	2,304
Total capital ratio	16.4%	16.5%	28.3%	15.2%	18.8%
Average number of full-time equivalents[2]	3,525	4,403	3,777	2,672	1,493

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

[2] Number of employees (headcounts) as at December 31, 2023 amounted to 1,854 (3,876).

Income Statement, Group

Amounts in SEKm	Note	2023	2022
Interest income	5	4,845	4,125
Interest expenses	6, 7	(3,140)	(1,162)
Net interest income		**1,705**	**2,963**
Commission income	8	17,826	13,714
Commission expenses	9	(1,003)	(724)
Net result from financial transactions	10	(151)	(1,026)
Other operating income		1,984	1,639
Total net operating income		**20,361**	**16,566**
General administrative expenses	7, 11, 12	(17,301)	(19,579)
Depreciation, amortization and impairment of intangible and tangible assets	7, 13	(2,291)	(1,504)
Total operating expenses before credit losses		**(19,592)**	**(21,083)**
Operating result before credit losses, net		**769**	**(4,517)**
Credit losses, net	14	(4,032)	(5,717)
Operating result		**(3,263)**	**(10,234)**
Income tax	15	657	27
Net result for the year		**(2,606)**	**(10,207)**
Whereof attributable to:			
Shareholders of Klarna Bank AB (publ)		(2,635)	(10,233)
Additional Tier 1 capital holders		29	26
Total		**(2,606)**	**(10,207)**

Statement of Comprehensive Income, Group

Amounts in SEKm	2023	2022
Net result for the year	**(2,606)**	**(10,207)**
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	(138)	183
Other comprehensive income for the year, net of tax	**(138)**	**183**
Total comprehensive income for the year	**(2,744)**	**(10,024)**
Whereof attributable to:		
Shareholders of Klarna Bank AB (publ)	(2,773)	(10,050)
Additional Tier 1 capital holders	29	26
Total	**(2,744)**	**(10,024)**

Unlike the balance sheet, which shows a snapshot of assets and liabilities as at 31 December, the credit losses in the income statement reflect provisions for future losses and realized losses associated with all lending activities during the year.

Balance Sheet, Group

Amounts in SEKm	Note	31 Dec 2023	31 Dec 2022
Assets			
Cash and balances with central banks		22,028	16,085
Treasury bills chargeable at central banks, etc.	18	7,267	10,713
Loans to credit institutions	19	4,500	3,783
Loans to the public	20	86,108	73,983
Bonds and other interest-bearing securities	21	506	864
Other shares and participations		345	338
Intangible assets	23	11,063	11,644
Tangible assets	7, 24	1,228	2,044
Deferred tax assets	15	282	395
Other assets	25, 26	2,798	3,216
Prepaid expenses and accrued income	27	858	1,065
Total assets		**136,983**	**124,130**
Liabilities			
Liabilities to credit institutions	28	1,636	2,829
Deposits from the public	29	97,096	81,470
Debt securities issued	30	651	1,676
Deferred tax liabilities	15	5	912
Other liabilities	7, 26, 31	19,173	22,125
Accrued expenses and prepaid income	32	3,586	2,648
Provisions	33	128	112
Subordinated liabilities	34	-	303
Total liabilities		**122,275**	**112,075**
Equity			
Share capital		78	69
Other capital contributed		35,240	29,980
Reserves		284	422
Additional Tier 1 instruments		276	276
Retained earnings		(18,564)	(8,485)
Net result for the year		(2,606)	(10,207)
Total equity		**14,708**	**12,055**
Total liabilities and equity		**136,983**	**124,130**

Loans to the public represents only the amount of outstanding loans receivable, as at 31 December, and is net of allowance for future credit losses (see note 20 for breakdown). This balance is only partially comparable to credit losses on the income statement as the income statement reports all activity during the year from 1 January to 31 December, while the balance sheet is a snapshot of lending outstanding as at 31 December.

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	(8,485)	(10,207)	12,055
Transfer of previous year's net result	-	-	-	-	(10,207)	10,207	-
Net result for the year	-	-	-	-	-	*(2,606)*	*(2,606)*
Other comprehensive income, net of tax	-	-	*(138)*	-	-	-	*(138)*
Total comprehensive income for the year	-	-	*(138)*	-	-	*(2,606)*	*(2,744)*
New share issue	9	3,260	-	-	-	-	3,269
Shareholders' contribution	-	2,000	-	-	-	-	2,000
Restricted stock units	-	-	-	-	157	-	157
Additional Tier 1 instruments[1]	-	-	-	-	(29)	-	(29)
Balance as at December 31, 2023	78	35,240	284	276	(18,564)	(2,606)	14,708

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	(1,481)	(7,093)	18,281
Transfer of previous year's net result	-	-	-	-	(7,093)	7,093	-
Net result for the year	-	-	-	-	-	*(10,207)*	*(10,207)*
Other comprehensive income, net of tax	-	-	*183*	-	-	-	*183*
Total comprehensive income for the year	-	-	*183*	-	-	*(10,207)*	*(10,024)*
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	(8,485)	(10,207)	12,055

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

[2] The reserves consist of exchange differences from foreign operations.

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

Income Statement, Parent Company

Amounts in SEKm	Note	2023	2022
Interest income	4, 5	5,361	4,485
Interest expenses	6, 7	(3,394)	(1,163)
Net interest income		**1,967**	**3,322**
Dividend received		103	-
Group contribution	4	61	-
Commission income	4, 8	12,440	9,129
Commission expenses	9	(3,373)	(2,668)
Net result from financial transactions	10	(218)	(787)
Other operating income	4	1,746	2,240
Total net operating income		**12,726**	**11,236**
General administrative expenses	7, 11, 12	(9,959)	(13,644)
Depreciation, amortization and impairment of intangible and tangible assets	7, 13	(1,838)	(1,154)
Other operating costs		(1,001)	(1,228)
Total operating expenses before credit losses		**(12,798)**	**(16,026)**
Operating result before credit losses, net		**(72)**	**(4,790)**
Credit losses, net	14	(2,817)	(3,787)
Impairment of financial assets		(107)	(314)
Operating result		**(2,996)**	**(8,891)**
Appropriations		-	2
Income tax	15	6	10
Net result for the year		**(2,990)**	**(8,879)**

Statement of Comprehensive Income, Parent Company

Amounts in SEKm	2023	2022
Net result for the year	**(2,990)**	**(8,879)**
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	38	(164)
Other comprehensive income for the year, net of tax	**38**	**(164)**
Total comprehensive income for the year	**(2,952)**	**(9,043)**

Balance Sheet, Parent Company

Amounts in SEKm	Note	31 Dec 2023	31 Dec 2022
Assets			
Cash and balances with central banks		22,028	16,085
Treasury bills chargeable at central banks, etc.	18	7,267	10,713
Loans to credit institutions	19	1,880	991
Loans to the public	20	80,958	76,474
Bonds and other interest-bearing securities	21	506	864
Shares and participations in group companies	22	15,465	10,942
Other shares and participations		345	338
Intangible assets	23	2,692	2,993
Tangible assets	7, 24	1,075	1,738
Deferred tax assets	15	67	61
Other assets	25, 26	9,293	2,177
Prepaid expenses and accrued income	27	467	738
Total assets		**142,043**	**124,114**
Liabilities			
Liabilities to credit institutions	28	1,264	2,829
Deposits from the public	29	96,789	81,162
Debt securities issued	30	651	1,137
Deferred tax liabilities	15	4	86
Other liabilities	7, 26, 31	24,120	22,601
Accrued expenses and prepaid income	32	2,973	2,148
Provisions	33	118	106
Subordinated liabilities	34	-	303
Total liabilities		**125,919**	**110,372**
Untaxed reserves	35	**-**	**-**
Equity			
Share capital		78	69
Reserve for development costs		1,602	1,475
Other reserves		(134)	(172)
Additional Tier 1 instruments		276	276
Retained earnings		17,292	20,973
Net result for the year		(2,990)	(8,879)
Total equity		**16,124**	**13,742**
Total liabilities and equity		**142,043**	**124,114**

Statement of Changes in Equity, Parent Company

	Restricted equity		Non-restricted equity					
Amounts in SEKm	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2023	69	1,475	20,675	(172)	276	298	(8,879)	13,742
Transfer of previous year's net result	-	-	-	-	-	(8,879)	8,879	-
Net result for the year	-	-	-	-	-	-	*(2,990)*	***(2,990)***
Other comprehensive income, net of tax	-	-	-	*38*	-	-	-	***38***
Total comprehensive income for the year	**-**	**-**	**-**	***38***	**-**	**-**	***(2,990)***	***(2,952)***
New share issue	9	-	3,260	-	-	-	-	**3,269**
Shareholders' contribution	-	-	-	-	-	2,000	-	**2,000**
Reserve for development costs	-	127	-	-	-	(127)	-	**-**
Restricted stock units	-	-	-	-	-	94	-	**94**
Additional Tier 1 instruments[1]	-	-	-	-	-	(29)	-	**(29)**
Balance as at December 31, 2023	78	1,602	23,935	(134)	276	(6,643)	(2,990)	16,124

	Restricted equity		Non-restricted equity					
Amounts in SEKm	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2022	65	1,057	18,996	(8)	250	4,713	(6,046)	19,027
Transfer of previous year's net result	-	-	-	-	-	(6,046)	6,046	-
Net result for the year	-	-	-	-	-	-	*(8,879)*	***(8,879)***
Other comprehensive income, net of tax	-	-	-	*(164)*	-	-	-	***(164)***
Total comprehensive income for the year	**-**	**-**	**-**	***(164)***	**-**	**-**	***(8,879)***	***(9,043)***
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	298	(8,879)	13,742

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

Share capital: 231,083,215 shares (204,683,709), quota value 0.336 (0.336).

Cash Flow Statement

		Group		Parent Company	
Amounts in SEKm	Note	2023	2022	2023	2022
Operating activities					
Operating result		(3,263)	(10,234)	(2,996)	(8,891)
Income taxes paid		(115)	(214)	(62)	(73)
Adjustments for items in operating activities					
Depreciation, amortization and impairment	7, 13	2,291	1,504	1,838	1,154
Gain/loss from disposal of shares in group companies		(8)	-	-	-
Impairment of shares in group companies		-	-	107	313
Dividend received from subsidiaries		-	-	(164)	-
Provisions excluding credit losses		6	19	-	9
Provision for credit losses		(608)	148	(452)	417
Share-based payments		185	311	94	95
Financial items including unrealized exchange rate effects		(307)	688	406	444
Changes in the assets and liabilities of operating activities					
Change in loans to the public		(12,049)	(10,896)	(4,020)	(12,542)
Change in liabilities to credit institutions		(1,172)	1,828	(1,565)	2,116
Change in deposits from the public		16,727	21,234	16,717	21,229
Change in other assets and liabilities		4,534	5,997	(1,500)	7,164
Cash flow from operating activities[1]		**6,221**	**10,385**	**8,403**	**11,435**
Investing activities					
Investments in intangible assets	23	(890)	(949)	(816)	(888)
Investments in tangible assets	24	(7)	(119)	(3)	(87)
Sales of fixed assets		15	-	13	-
Investments in subsidiaries	22	-	-	(2,650)	(75)
Investments in business combinations	44	-	(3,515)	-	(3,745)
Divestment of shares in subsidiaries		8	-	-	-
Dividend received from subsidiaries		-	-	88	-
Cash flow from investing activities		**(874)**	**(4,583)**	**(3,368)**	**(4,795)**
Financing activities					
New share issue		3,269	320	3,269	320
Issued Additional Tier 1 instruments		-	276	-	276
Redeemed Additional Tier 1 instruments		-	(250)	-	(250)
Debt securities, net	30	(837)	(7,478)	(498)	(7,664)
Subordinated liabilities, net	34	(300)	-	(300)	-
Payment of principal portion of lease contracts	7	(441)	(350)	(370)	(258)
Cash flow from financing activities		**1,691**	**(7,482)**	**2,101**	**(7,576)**
Cash flow for the year		**7,038**	**(1,680)**	**7,136**	**(936)**
Cash and cash equivalents at the beginning of the year		**17,724**	**18,702**	**16,699**	**17,068**
Cash flow for the year		7,038	(1,680)	7,136	(936)
Exchange rate diff. in cash and cash equivalents		(595)	702	(598)	567
Cash and cash equivalents at the end of the year		**24,167**	**17,724**	**23,237**	**16,699**
Cash and cash equivalents include the following items					
Cash and balances with central banks		21,784	16,085	21,784	16,085
Loans to credit institutions[2]		2,383	1,639	1,453	614
Cash and cash equivalents		**24,167**	**17,724**	**23,237**	**16,699**
Additional liquidity portfolio		7,774	11,577	7,774	11,577
Total cash and liquidity		**31,941**	**29,301**	**31,011**	**28,276**

[1] Cash flow from operating activities includes interest payments received and interest expenses paid, see note 40.

[2] SEK 2.4bn (Group) and SEK 1.5bn (Parent) of Loans to credit institutions are classified as Cash and cash equivalents as at December 31, 2023.

As a bank, cash flows from operating activities primarily represent the net flows of money coming in and going out from the bank's consumer lending and retail deposit activities. It's not a reflection of the bank's net operating result for the year. In addition to the SEK 24.2bn in cash and cash equivalents held at year-end, Klarna also maintains an additional liquidity portfolio of SEK 7.8bn.

Notes with accounting principles

Note 1 Corporate information

The Parent Company, Klarna Bank AB (publ), Corp. ID 556737-0431, maintains its registered office in Stockholm at the address Sveavägen 46, 111 34 Stockholm, Sweden. The consolidated financial statements for 2023 consist of the Parent Company (including branches) and its subsidiaries, which together make up the Group. The Group's business is described in the Report of the Board of Directors.

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

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

The consolidated financial statements and the Annual Report for Klarna Bank AB (publ) for the financial year 2023 were approved by the Board of Directors and the Chief Executive Officer (CEO) on February 27, 2024. They will ultimately be adopted by Klarna Bank AB (publ)'s Annual General Meeting.

Note 2 Accounting principles

1) Basis for the preparation of the reports

Group

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

Parent Company

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

The preparation of reports in accordance with IFRS requires the use of a number of estimates for accounting purposes. The areas which involve a high degree of assessment or complexity and which are of considerable importance for the annual accounts are presented in section 25.

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

2) New and amended standards and interpretations

The Group has applied all applicable new and amended standards and interpretations from their effective date. None of the amendments have had a significant impact on the Group.

Pillar 2 Global Anti-Base-Erosion tax reform

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (referred to as "Pillar Two"). On 13 December, 2023 Swedish legislation was enacted to adopt the rules, introducing a global minimum effective tax rate of 15% applicable for accounting periods starting on or after 31 December, 2023. The group is in the process of assessing the full impact of this legislation, which will apply to the Klarna group.

Klarna's exposure to top-up tax is estimated to be limited to cases where permanent differences reduce taxable profits below a 15% effective tax rate. This has been assessed as unlikely to give rise to a material tax cost in 2024, however, the impact of foreign exchange movements could, in certain circumstances, result in some top-up taxes, most likely in Sweden.

The group has applied the exception, mandated by an amendment to IAS 12, to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. These standards, interpretations or amendments are not expected to have a material impact to the Group in the current or future periods and on foreseeable future transactions.

3) Basis of consolidation

The consolidated financial statements comprise of Klarna Bank AB (publ) and its subsidiaries. The companies are consolidated as from the date when control is transferred to Klarna and consolidation comes to an end when Klarna no longer has control. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4) 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).

5) Foreign currency translation

Presentation currency and functional currency

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

Transactions and balance sheet items

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

Subsidiaries and branches

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

6) Interest and commissions

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

Interest income and interest expenses

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

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

Commission income and commission expenses

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

Commission income from retailers

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

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

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

Commission income from consumers

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

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

7) Net result from financial transactions

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

8) Credit losses, net

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

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

9) Cash and balances with central banks

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

(i) The central bank is domiciled, and

(ii) The balance is readily available at any time

10) Financial assets and liabilities – classification and recognition

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

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

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

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

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

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

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

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

Financial assets and liabilities at fair value through profit or loss
This category has two subcategories:

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

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

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

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

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

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

11) Financial assets and liabilities - fair value measurement

For financial assets and liabilities measured at fair value the Group uses different methods to determine the fair value. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1
Level 1 in the fair value hierarchy consists of assets and liabilities where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities. This category includes certain investments in other shares and participations.

Level 2
Level 2 consists of assets and liabilities where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. This is for example the case for derivatives within other assets and other liabilities where active markets supply the input to the valuation.

Level 3
Level 3 includes estimated values based on assumptions and assessments where one or more significant inputs are not based on observable market information. Level 3 is used for certain items within other shares and participations and for certain items in debt securities in issue.

12) Impairment of financial assets, financial guarantees and commitments

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

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

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

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

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

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

Significant increase in credit risk:

Klarna assesses, at the end of each reporting period, whether the credit risk of a financial instrument has increased significantly since initial recognition in order to determine whether 12m ECL or lifetime ECL shall apply. Klarna determines that the credit risk of a financial instrument has increased significantly where payment of the credit product is more than 30 days past due, or where the consumer has other contracts with Klarna that are already in stage 2 or 3.

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

Definition of default:

Financial assets are defaulted when the asset has been 90 days or more past due on any payments, has entered debt collection or is classified as fraudulent.

Probability of Default (PD):

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

Loss Given Default (LGD):

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

Exposure at default (EAD):

The exposure at default (EAD) represents the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise. The estimated exposure is discounted using the effective interest rate to represent the expected exposure in the event of default.

Measurement of ECL:

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

Financial guarantees and commitments:

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

Write-off of financial assets:

Financial assets that have no expectation of recovering either the entire outstanding amount or a proportion thereof are written off. Hence, the gross carrying amount of the financial asset is reduced and the amount of the loss is recognized in the income statement as Credit losses, net. Financial assets are generally written off when it is determined that the outstanding debt cannot be collected anymore as the borrower does not have assets or sources of income that could be used to repay the amounts subject to write-offs.

To determine whether the outstanding debt cannot be collected anymore, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in principal payments. Financial assets that are written off could still be subject to enforcement activities in order to attempt to recover the receivables due. For information on the written-off loans subject to enforcement activities, see note 20, Loans to the public.

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

Modifications:

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

Simplified approach:

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

13) Repurchase agreements

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

14) Offsetting financial transactions

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

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

15) Derivative instruments and hedge accounting

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

The Group undertakes hedge accounting for fair value hedges to manage the interest rate risk of liabilities.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in Net result from financial transactions, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk. Any residual mismatch between the hedging instrument and the hedged item is recognized as ineffective.

When hedging interest rate risk, any interest accrued or paid on both the hedging derivative and the hedged item is reported in interest expense. If the hedge no longer meets the criteria for hedge accounting the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the period for which the item was hedged. If the hedged item is sold or repaid, the unamortized fair value adjustment is recognized immediately in Net results from financial transactions.

16) Borrowing

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

17) Leasing

The Group’s leases mainly consist of rental of offices, cars, and IT office equipment.

A right-of-use asset and a lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial costs, incentive payments, restoration obligations and lease payments before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. For most leases, Klarna has judged that the lease term does not include additional periods after the initial period.

The lease liability is initially measured at the present value of the remaining lease payments that are not paid at the commencement date, discounted using the Group's Incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is any change in future lease payments arising, for example, from a change in an index, assessment or estimations on the usage of extension, termination or purchase options or the amount expected to be payable under a residual value guarantee.

Subsequently, a corresponding adjustment to the carrying amount of the right-of-use asset is made. Lease payments included in the measurement of the lease liability are fixed payments, variable lease payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option, if applicable.

Klarna presents right-of-use assets that do not meet the definition of investment property in Tangible assets and lease liabilities in Other liabilities in the balance sheet.

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

18) Intangible assets

Goodwill

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

Brand names and customer related intangible assets

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

Capitalized development costs and licenses

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

Impairment

Goodwill is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred.

Other intangible assets undergo impairment testing whenever events or changes in circumstances suggest that the carrying amount might not be recoverable.

19) Tangible assets

The Group depreciates tangible assets using a straight line depreciation method by applying the following useful lives to each tangible asset class:

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

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

20) Income taxes

Income taxes consist of current tax and deferred tax. Income taxes are reported directly in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income, in which case also the accompanying tax is reported in equity or other comprehensive income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is reported according to the balance sheet method for all temporary differences between an asset's or a liability's tax base and its carrying amount in the balance sheet. Deferred tax assets are reported for non-utilized tax relief to the extent it is probable that the relief will be able to be set off against future taxable surpluses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

21) Share-based payments

Employment stock warrants and Restricted stock units

For employment stock warrants, the services rendered are measured with reference to the fair value of the granted equity instruments. Restricted stock units (RSU) vest on a graded vesting scheme over a four year period. For both schemes, the fair value is measured at grant date and expensed over the period in which the employees become unconditionally entitled to these rights. The cost is presented under general administrative expenses in the income statement. The employment vesting condition is a non-market based condition and is factored into the assumption of how many equity instruments are expected to vest.

Non-employee stock warrants

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

The fair value of the equity instruments is calculated as per the date when the services are rendered. The timing of the increase in equity is therefore dependent on when the services are performed. Depending on the characteristics of the services received, the calculated IFRS 2 costs can be presented:

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

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

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

22) Pensions

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

23) Group contribution

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

24) Cash flow statement

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

25) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting principles, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Assessment of a lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. For most leases, Klarna has judged that the lease term does not include additional periods after the initial period.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

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

For financial assets that are measured at amortized cost or fair value through other comprehensive income as well as for loan commitments and financial guarantees the impairment requirements of IFRS 9 are applied.

IFRS 9 impairment estimates are driven by a number of factors, changes in which can result in different levels of allowances, with the most significant being:

- The Group's criteria for assessing if there has been a significant change in credit risk;
- The Group's selection of statistical methods to use when the models are developed or revised;
- The periods to consider when analyzing historical portfolio performance;
- Applicable guidance and regulation from local regulatory authority for individual markets.

In making IFRS 9 impairment estimates, the Group considers that the loss rates of consumer receivables are not significantly affected by macroeconomic factors due to the unique design and short maturities of the credit products. Furthermore, the underwriting process is built on point in time assessments of transactions where the current state of the consumer is regularly assessed.

See section 12 above for impairment of financial assets, financial guarantees and commitments. Key assessments and assumptions used in impairment calculations are subject to regular review.

Impairment requirements for goodwill and other intangible assets

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

Legal provisions

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

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

Tax losses carried-forward

The group assesses on an ongoing basis as well as at the end of the year the possibility of recognizing deferred tax assets related to tax losses carried-forward. Deferred tax assets attributable to tax losses carried-forward are reported only if it is probable that they will be used towards taxable profits in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the probability of taxable profits being available in the future and the quantum of taxable profits that are forecast to arise. These judgements include management's expectations of the growth of profit before tax in these entities, forecasted non-taxable revenues and expenses, and the timing of the reversal of taxable temporary differences.

Share-based payments

The fair value of the equity instruments is calculated as per the grant date using the Black-Scholes model. This requires identification of various inputs to the model, including; expected volatility of own share price, risk free interest rate and expected term. The key assumptions used in the model are disclosed in note 41.

The fair value of the employee restricted stock unit program is based on an external valuation where input parameters include investment rounds, secondary market trades and trading multiples for peers.

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

26) Incremental costs of obtaining a contract

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

27) Reclassifications of comparatives

(i) During the current period, ended 31 December 2023, we refined revenue recognition policies relating to specific items within Commission income and reclassified the 2022 presentation accordingly:
  a. Certain administrative fees earned were reclassified from interest income to Commission income. The fees reclassified for the period ending 31 December 2022 amounted to SEK 518m.
  b. Merchant fees earned in relation to promotional loans were reclassified from Commission income to Interest income and recognized using the Effective Interest Rate (EIR) method. This resulted in reclassification to Interest income in 2022 of SEK 221m that was previously recorded as commission income and reduction of SEK (165)m Loans to the public as at 1 January 2022.

(ii) An amount of SEK 402m relating to cash received from customers pending allocation at 31 December 2022 has been reclassified from Other Liabilities to Deposits from the Public.

Note 3 Risk management

Risk descriptions

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

Credit risk

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

Risk Measurement and Exposure

	Group		Parent Company	
Credit risk	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Loan receivables, gross	94,688	82,590	86,031	80,830
Allowance for credit losses	(3,498)	(4,159)	(2,909)	(3,436)
Loan receivables, net carrying amount	**91,190**	**78,431**	**83,122**	**77,394**
of which: Loans to credit institutions	4,500	3,783	1,880	991
of which: Loans to the public	86,108	73,983	80,958	75,988
of which: Accrued income	582	665	284	415

	Group		Parent Company	
Credit quality of debt securities	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Treasury bills chargeable at central banks, etc., and bonds and other interest-bearing securities				
AAA	5,643	8,738	5,643	8,738
AA+	746	1,267	746	1,267
AA	1,066	1,251	1,066	1,251
AA-	318	321	318	321
Total	**7,773**	**11,577**	**7,773**	**11,577**

Group, 31 Dec 2023						
Gross amounts	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Simplified approach**	**Total**
Per region						
Nordics[1]	16,774	1,435	240	-	370	**18,819**
DACH[2]	29,803	2,216	569	-	195	**32,783**
United States	21,086	779	311	-	315	**22,491**
United Kingdom	11,043	414	187	1	118	**11,763**
Other	8,122	369	201	-	140	**8,832**
Total	**86,828**	**5,213**	**1,508**	**1**	**1,138**	**94,688**
Before due and per days past due						
Before due	79,184	2,212	2	-	715	**82,113**
≤30 days	7,644	796	3	-	40	**8,483**
>30-60 days	-	1,336	3	-	34	**1,373**
>60-90 days	-	869	7	-	106	**982**
>90 days	-	-	1,493	1	243	**1,737**
Total	**86,828**	**5,213**	**1,508**	**1**	**1,138**	**94,688**

Group, 31 Dec 2022						
Gross amounts	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Simplified approach**	**Total**
Per region						
Nordics[1]	17,092	742	162	-	182	**18,178**
DACH[2]	26,473	1,025	881	-	301	**28,680**
United States	15,824	2,121	397	-	472	**18,814**
United Kingdom	8,471	1,693	208	1	136	**10,509**
Other	5,487	472	294	-	156	**6,409**
Total	**73,347**	**6,053**	**1,942**	**1**	**1,247**	**82,590**
Before due and per days past due						
Before due	68,715	2,508	152	-	920	**72,295**
≤30 days	4,632	1,545	14	-	64	**6,255**
>30-60 days	-	1,193	16	-	18	**1,227**
>60-90 days	-	702	30	-	10	**742**
>90 days	-	105	1,730	1	235	**2,071**
Total	**73,347**	**6,053**	**1,942**	**1**	**1,247**	**82,590**

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

Parent Company, 31 Dec 2023 Gross amounts	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Per region						
Nordics[1]	16,627	1,435	240	-	263	**18,565**
DACH[2]	33,340	2,217	570	-	52	**36,179**
United States	15,333	446	208	-	12	**15,999**
United Kingdom	6,694	358	186	1	48	**7,287**
Other	7,452	334	170	-	45	**8,001**
Total	**79,446**	**4,790**	**1,374**	**1**	**420**	**86,031**
Before due and per days past due						
Before due	72,397	2,094	2	-	302	**74,795**
≤30 days	7,049	767	3	-	4	**7,823**
>30-60 days	-	1,184	2	-	7	**1,193**
>60-90 days	-	745	7	-	38	**790**
>90 days	-	-	1,360	1	69	**1,430**
Total	**79,446**	**4,790**	**1,374**	**1**	**420**	**86,031**

Parent Company, 31 Dec 2022 Gross amounts	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Per region						
Nordics[1]	17,110	742	162	-	113	**18,127**
DACH[2]	27,536	1,025	879	-	161	**29,601**
United States	15,943	780	291	-	4	**17,018**
United Kingdom	8,421	1,693	207	1	133	**10,455**
Other	4,811	419	266	-	133	**5,629**
Total	**73,821**	**4,659**	**1,805**	**1**	**544**	**80,830**
Before due and per days past due						
Before due	69,198	1,905	151	-	354	**71,608**
≤30 days	4,623	1,008	11	-	17	**5,659**
>30-60 days	-	1,050	13	-	10	**1,073**
>60-90 days	-	591	28	-	4	**623**
>90 days	-	105	1,602	1	159	**1,867**
Total	**73,821**	**4,659**	**1,805**	**1**	**544**	**80,830**

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

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

Market risk

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

Risk Measurement and Exposure

Currency exposure[1]

Group 31 Dec 2023	EUR	USD	GBP	Other	Total exposure
Net average daily position	293	114	45	277	**729**
Effect of 10% change versus the foreign currency	(29)	(11)	(5)	(28)	**(73)**

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

Parent Company 31 Dec 2023	EUR	USD	GBP	Other	Total exposure
Net average daily position	194	95	60	107	**456**
Effect of 10% change versus the foreign currency	(19)	(9)	(6)	(11)	**(45)**

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

[1] The amounts are presented in SEKm.

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

Interest rate risk exposure[1]

Group 31 Dec 2023	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	43	(432)	55	40	3	**(291)**

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

Parent Company 31 Dec 2023	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	42	(428)	69	40	3	**(274)**

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

[1] The amounts are presented in SEKm.

Liquidity Risk

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

Risk Measurement and Exposure
Klarna complies with all liquidity regulatory requirements, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and monitoring and management of Klarna's liquidity survival horizon.

Funding sources

Group 31 Dec 2023	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	735	901	-	-	-	**1,636**
Deposits from the public	32,470	12,624	38,117	13,885	-	**97,096**
Debt securities issued[1]	567	-	-	84	-	**651**
Other liabilities[2]	10,201	117	163	8,183	127	**18,791**
Accrued expenses and prepaid income	2,691	227	579	66	-	**3,563**
Total	**46,664**	**13,869**	**38,859**	**22,218**	**127**	**121,737**

Group 31 Dec 2022	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	2,073	755	1	-	-	**2,829**
Deposits from the public	31,045	8,083	23,866	18,476	-	**81,470**
Debt securities issued[1]	22	428	236	990	-	**1,676**
Other liabilities[2]	8,664	129	352	12,292	321	**21,758**
Accrued expenses and prepaid income	2,120	113	258	117	-	**2,608**
Subordinated liabilities[1]	-	-	-	-	303	**303**
Total	**43,924**	**9,508**	**24,713**	**31,875**	**624**	**110,644**

Parent Company 31 Dec 2023	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	363	901	-	-	-	**1,264**
Deposits from the public	32,172	12,624	38,117	13,876	-	**96,789**
Debt securities issued[1]	567	-	-	84	-	**651**
Other liabilities[2]	15,437	102	137	8,067	96	**23,839**
Accrued expenses and prepaid income	2,109	220	568	65	-	**2,962**
Total	**50,648**	**13,847**	**38,822**	**22,092**	**96**	**125,505**

Parent Company 31 Dec 2022	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	2,074	755	-	-	-	**2,829**
Deposits from the public	30,742	8,083	23,866	18,471	-	**81,162**
Debt securities issued[1]	22	428	236	451	-	**1,137**
Other liabilities[2]	9,621	98	173	12,157	272	**22,321**
Accrued expenses and prepaid income	1,670	104	248	108	-	**2,130**
Subordinated liabilities[1]	-	-	-	-	303	**303**
Total	**44,129**	**9,468**	**24,523**	**31,187**	**575**	**109,882**

[1] Interest is included in the amounts for Debt securities issued and Subordinated liabilities.
[2] Lease liabilities are included in the amounts for Other liabilities. For lease maturity information, see note 7, Leases.

Operational Risk

Definition

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

Risk Measurement and Exposure

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

ICT and Security Risk

Definition

The risk of failures or breaches in information or communication systems or physical security including system outages, software failures, data breaches, physical security breaches or cyber-attacks.

Risk Measurement and Exposure

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

Business Risk

Definition

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

Risk Measurement and Exposure

New Business plans are developed and reviewed yearly. Monthly achievement against the yearly plan is reviewed monthly by the executive team, via detailed updates on key financial and business metrics.

Note 4 Operating segments and income by geographical area

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

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

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

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

Group	Jan - Dec 2023	Jan - Dec 2022[4]
Geographical breakdown		
- Germany	5,736	4,974
- United States	6,034	4,842
- Sweden	2,105	2,236
- United Kingdom	2,616	2,081
- Other countries	4,021	3,459
Total net operating income less net result from financial transactions[1]	**20,512**	**17,592**
Income category		
- Retailer income	12,168	9,550
- Consumer income	5,201	5,447
- Other income[2]	3,143	2,595
Total net operating income less net result from financial transactions[1]	**20,512**	**17,592**
Non-current assets		
- Sweden	11,432	16,202
- Germany	3,292	3,544
- United States	694	1,151
- Other countries	1,235	1,418
Total non-current assets[3]	**16,653**	**22,315**

[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 includes tangible assets, intangible assets, long term contract assets and bills and bonds of duration greater than 12 months.

[4] The presentation comparatives for 2022 have been updated to reflect changes in internal financial reporting.

Total net operating income is net of Commission expense, Interest expense and Net result from financial transactions. These items impact larger markets proportionally more and thus comparing growth in Total net operating income may not accurately reflect underlying market growth.

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

Parent Company 2023	Sweden	Germany	Other[1]	Total
Interest income	1,761	1,045	2,555	5,361
Commission income	1,547	4,690	6,203	12,440
Other operating income	180	1,079	487	1,746
Total	**3,488**	**6,814**	**9,245**	**19,547**

2022	Sweden	Germany	Other[1]	Total
Interest income	1,066	1,193	2,226	4,485
Commission income	1,493	3,424	4,212	9,129
Other operating income	160	1,826	254	2,240
Total	**2,719**	**6,443**	**6,692**	**15,854**

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

Parent Company External customer revenue split by income categories	2023	2022
Retailer	8,345	6,611
Consumer	4,822	5,056
Total	**13,167**	**11,667**

Note 5 Interest income

	Group		Parent Company	
	2023	2022	2023	2022
Loans to credit institutions	506	33	485	30
Loans to the public (restated)	3,707	3,934	3,707	3,934
Other interest income	632	158	1,169	521
Total	**4,845**	**4,125**	**5,361**	**4,485**

Interest income is calculated using the effective interest method.

2022 Interest income from Loans to the public is restated following a reclassification of SEK 297m from Interest income to Commission income. Refer to Section 27 in Note 2.

Note 6 Interest expenses

	Group		Parent Company	
	2023	2022	2023	2022
Interest-bearing securities and chargeable treasury bills etc.	(202)	(156)	(202)	(156)
Liabilities to credit institutions	(140)	(83)	(124)	(82)
Deposits from the public	(2,356)	(669)	(2,356)	(669)
Debt securities issued	(49)	(73)	(49)	(73)
Subordinated liabilities	(11)	(13)	(11)	(13)
Group companies	(328)	(112)	(601)	(119)
Other interest expenses	(54)	(56)	(51)	(51)
Total	**(3,140)**	**(1,162)**	**(3,394)**	**(1,163)**

Interest expense is calculated using the effective interest method.

Note 7 Leases

	Group		Parent Company	
	2023	2022	2023	2022
Depreciation of right-of-use assets	(295)	(410)	(217)	(282)
of which: buildings	(292)	(406)	(214)	(279)
of which: cars	(1)	(2)	(1)	(1)
of which: other	(2)	(2)	(2)	(2)
Interest expense for lease liabilities	(43)	(45)	(40)	(40)
Total right-of-use lease cost	**(338)**	**(455)**	**(257)**	**(322)**
Expenses relating to short-term leases	(72)	(121)	(49)	(79)
Expenses relating to low-value assets	-	(5)	-	(5)
Total short-term and low value leases	**(72)**	**(126)**	**(49)**	**(84)**
Right-of-use assets and lease liabilities				
Carrying amount for right-of-use assets	1,003	1,636	872	1,381
of which: buildings	1,002	1,632	872	1,378
of which: cars	1	2	-	1
of which: other	-	2	-	2
Additions to right-of-use assets during the year	102	235	101	112
Disposals during the year	(50)	(19)	(1)	(18)
Impairments during the year	(342)	(95)	(329)	(64)
Revaluations during the year	(53)	381	(65)	322
Currency translation difference during the year	5	44	2	23
Lease liabilities	1,234	1,757	1,047	1,461

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 impairments is illustrated in the above table. The Group presents right-of-use assets in Tangible assets and lease liabilities in Other liabilities in the balance sheet.

Group, Maturity						
31 Dec 2023	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities	90	82	130	806	126	**1,234**
31 Dec 2022	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities	136	100	183	1,017	321	**1,757**

Parent Company, Maturity						
31 Dec 2023	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities	70	68	109	704	96	**1,047**
31 Dec 2022	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Lease liabilities	81	78	145	885	272	**1,461**

Note 8 Commission income

Group Commission income split by product category	2023	2022
Retailer (restated)	14,023	11,110
Consumer (restated)	3,641	2,485
Other	162	119
Total	**17,826**	**13,714**

Parent Company Commission income split by product category	2023	2022
Retailer (restated)	9,060	6,942
Consumer (restated)	3,261	2,093
Other	119	94
Total	**12,440**	**9,129**

Commission income for 2022 is restated following a reclassification of certain fees, see Section 27 in Note 2, resulting in an increase in Commission income of SEK 292m (impacting lines Consumer and Retailer within the note). This restatement applies to both Group and Parent.

Note 9 Commission expenses

	Group		Parent Company	
	2023	2022	2023	2022
Commission to partners	(771)	(635)	(3,141)	(2,579)
Other commissions	(232)	(89)	(232)	(89)
Total	**(1,003)**	**(724)**	**(3 373)**	**(2,668)**

Note 10 Net result from financial transactions

	Group		Parent Company	
	2023	2022	2023	2022
Realized and unrealized movements in exchange rates	215	(20)	176	(17)
Gains from financial instruments	253	172	239	188
Losses from financial instruments	(603)	(667)	(618)	(445)
Realized and unrealized losses on shares held in listed and unlisted companies	(16)	(511)	(15)	(513)
Total	**(151)**	**(1,026)**	**(218)**	**(787)**

As of December 31, 2023, Klarna Bank AB (publ) had entered into derivatives with the gross nominal amount of SEK 60,960 (53,026m), see note 26.

Note 11 Employees and personnel costs

Average number of full-time equivalents	Group				Parent company			
	2023		2022		2023		2022	
	Total	whereof women	Total	whereof women	Total	whereof women	Total	whereof women
Sweden	2,327	989	2,997	1,304	2,195	952	2,891	1,271
Germany	1,115	377	1,305	454	957	343	1,089	402
United States	476	270	601	345	-	-	1	-
United Kingdom	324	150	374	168	307	141	374	168
Italy	189	45	183	50	-	-	-	-
Spain	169	82	145	78	-	-	-	-
Netherlands	80	39	88	44	-	-	-	-
Canada	46	13	44	15	-	-	-	-
Denmark	37	15	26	10	8	5	7	4
France	36	16	34	14	36	16	34	14
Australia	35	22	80	48	-	-	-	-
Poland	35	12	22	6	-	-	-	-
Norway	31	16	38	21	-	-	-	-
Finland	25	15	28	16	-	-	-	-
Ireland	21	9	5	2	21	9	5	2
Austria	11	7	9	5	-	-	-	-
Belgium	6	2	10	4	-	-	-	-
Japan	3	-	5	-	-	-	-	-
Mexico	3	1	1	-	-	-	-	-
New Zealand	2	-	5	1	-	-	-	-
Switzerland	1	-	2	-	1	-	2	-
Total	**4,972**	**2,080**	**6,002**	**2,585**	**3,525**	**1,466**	**4,403**	**1,861**

The above table represents the average number of employees for the year ending 31 December 2023. The total number of employees in Klarna Bank AB group as at December 31, 2023 amounted to 4,201 (5,441).

Salaries, other remuneration, social security and pension expenses	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Salaries and other remuneration attributable to:				
Board and CEO	(24)	(13)	(24)	(13)
Other employees	(3,807)	(4,337)	(2,399)	(2,827)
Total salaries and other remuneration	**(3,831)**	**(4,350)**	**(2,423)**	**(2,840)**
Statutory and contractual social security expenses	(1,159)	(1,211)	(906)	(977)
of which: pension expenses	(272)	(282)	(221)	(232)
Total salaries, other remuneration, social security and pension expenses	**(4,990)**	**(5,561)**	**(3,329)**	**(3,817)**

Group Board members and senior management	31 Dec 2023 Number at closing day	31 Dec 2023 whereof women	31 Dec 2022 Number at closing day	31 Dec 2022 whereof women
Board members and Group CEO	8	25%	7	29%
Other members of senior management	10	10%	6	17%

Group 2023

Salaries and other remuneration to the board and senior management[1]	Basic salary/fee	Variable remuneration[5]	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Ferguson	-	-	-	-	-
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	-	-	-	-	-
Sarah Smith	-	-	-	-	-
Matthew Miller[2]	-	-	-	-	-
Sebastian Siemiatkowski, CEO[3]	(16.0)	(5.9)	(0.9)	(0.8)	(23.6)
Other members of senior management (9)[4]	(82.1)	(25.8)	(0.6)	(4.6)	(113.1)
Total	**(98.1)**	**(31.7)**	**(1.5)**	**(5.4)**	**(136.7)**

[1] Remuneration to board members other than CEO are accounted for in Klarna Bank AB (publ)'s parent company Klarna Holding AB (publ) and is presented in the annual report for Klarna Holding AB (publ).
[2] On December 29, 2023, the company appointed Matthew Miller to the Board.
[3] Variable remuneration includes SEK 2.4m related to an award for 2022.
[4] The number within parentheses refers to the number of positions that have received salaries and remuneration during the year, and not necessarily to the number of individuals. During 2023 nine individuals held these roles. The increase in the number of members of senior management follows an update to the classification of senior management roles and inclusion of four existing roles, rather than in increase in senior employees.
[5] Variable remuneration includes cash-based variable remuneration and IFRS 2 expensed amounts for equity based programs.

Group 2022

Salaries and other remuneration to the board and senior management[1]	Basic salary/fee	Variable remuneration[3]	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Ferguson	-	-	-	-	-
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	-	-	-	-	-
Sarah Smith	-	-	-	-	-
Sebastian Siemiatkowski, CEO	(11.5)	(0.2)	(0.7)	(0.8)	(13.2)
Other members of senior management (5)[2]	(55.9)	(4.2)	(1.9)	(4.6)	(66.6)
Total	**(67.4)**	**(4.4)**	**(2.6)**	**(5.4)**	**(79.8)**

[1] Remuneration to board members other than CEO are accounted for in Klarna Bank AB (publ)'s parent company Klarna Holding AB (publ) and is presented in the annual report for Klarna Holding AB (publ).
[2] The number within parentheses refers to the number of individuals that have received salaries and remuneration during the year, and not necessarily to the number of members at a given point in time. During 2022, nine individuals held these roles.
[3] Variable remuneration includes cash-based variable remuneration and IFRS 2 expensed amounts for equity based programs.

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

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

The information below follows the provisions of the disclosure rules.

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

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

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

The Remuneration Committee held five formal meetings in 2023. It handled matters within its responsibility on an ongoing basis through correspondence between the committee members with the formal decisions not covered by its delegation authority being reported to and documented by the Board at the closest following Board meeting.

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

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

Remuneration structure
The Group applies the following general principles on remuneration:

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

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

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

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

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

Remuneration to Group management team and Identified staff
Total remuneration awarded and paid to the Group management team of 10 persons[1] (6) amounts to SEK 197.1m (119.2m) and for Identified staff, 46 persons[1] (46), this sum amounts to SEK 132.8m (237.2m), which aggregates to SEK 329.9m (356.4m). Variable remuneration accounts for SEK 97.6m (49.5m) of the Group management team figure related to 10 (6) of its members and SEK 44.4m (173.0m) of the Identified staff figure, related to 46 (46) beneficiaries.

[1] The number within parentheses refers to the number of positions that have received salaries and remuneration during the year, and not necessarily to the number of individuals.

The tables below present both variable remuneration awarded and paid:

2023	Value of variable remuneration			Number of beneficiaries		
Type of variable remuneration	Group management team	Identified staff	Total	Group management team	Identified staff	Total
Paid as one off cash payments (relating to referral bonuses / gratuities / sales commission)	(10.5)	(0.9)	(11.4)	6	9	15
Paid in the form of shares, share-related instruments, financial instruments or non-cash benefits	(26.7)	(27.1)	(53.8)	10	46	56
Deferred remuneration awarded	(60.4)	(16.4)	(76.8)	10	36	46
Total	**(97.6)**	**(44.4)**	**(142.0)**	**10**	**46**	**56**

During 2023, seven employees have been remunerated more than EUR 1m (three between EUR 1m and EUR 1.5m, two between EUR 2m and EUR 2.5m, two above EUR 2.5m).

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

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

As at December 2023, total outstanding deferred remuneration[1] to the Group management team of 10 persons[2] (6) amounts to SEK 50.5m (31.7m) and for Identified staff, 38 persons (46), this sum amounts to SEK 35.7m (139.4m), which aggregates to SEK 86.2m (171.1m).

[1] There has been no risk adjustment reduction made to deferred remuneration awards during 2023 or 2022.

[2] The number within parentheses refers to the number of positions that have received salaries and remuneration during the year, and not necessarily to the number of individuals.

Note 12 Fees and reimbursement of expenses for auditors

	Group		Parent Company	
	2023	2022	2023	2022
EY				
Audit engagement	(20)	(18)	(13)	(14)
Audit related services	(1)	(1)	(1)	-
Total	**(21)**	**(19)**	**(14)**	**(14)**

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

	Group		Parent Company	
	2023	2022	2023	2022
Amortization and depreciation				
Intangible assets	(1,255)	(812)	(959)	(652)
Tangible assets[1]	(432)	(537)	(332)	(382)
Total	**(1,687)**	**(1,349)**	**(1,291)**	**(1,034)**
Impairment				
Intangible assets	(231)	(48)	(194)	(48)
Tangible assets[1]	(373)	(107)	(353)	(72)
Total	**(604)**	**(155)**	**(547)**	**(120)**
Total depreciation, amortization and impairment of intangible and tangible assets	**(2,291)**	**(1,504)**	**(1,838)**	**(1,154)**

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

Note 14 Credit losses, net

Loan losses divided by class	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Loans to credit institutions				
Increase in provisions	(80)	(32)	-	-
Reversal of previous provisions	81	27	-	-
Total	**1**	**(5)**	**-**	**-**
Loans to the public				
Realized loan losses, net of recoveries[1]	(4,640)	(5,569)	(3,269)	(3,370)
Release in provisions to cover realized loan losses	4,643	4,872	3,271	2,915
Increase in provisions	(15,143)	(15,440)	(11,011)	(9,872)
Reversal of previous provisions	11,121	10,458	8,206	6,572
Total	**(4,019)**	**(5,679)**	**(2,803)**	**(3,755)**
Financial guarantees and commitments				
Increase in provisions	(95)	(99)	(91)	(99)
Reversal of previous provisions	81	66	77	67
Total	**(14)**	**(33)**	**(14)**	**(32)**
Total credit losses, net	**(4,032)**	**(5,717)**	**(2,817)**	**(3,787)**

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

Unlike the balance sheet, which shows a snapshot of assets and liabilities as at 31 December, the credit losses in the income statement reflect provisions for future losses and realized losses associated with all lending activities during the year.

Note 15 Income taxes

Income tax expense	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Current tax				
Tax expense for the year	(171)	(115)	(105)	(38)
Adjustment of tax attributable to previous years	20	9	20	15
Total	**(151)**	**(106)**	**(85)**	**(23)**
Deferred tax				
Deferred tax	808	133	91	33
Total	**808**	**133**	**91**	**33**
Reported income tax	**657**	**27**	**6**	**10**

Effective tax rate	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Income before tax	**(3,263)**	**(10,234)**	**(2,996)**	**(8,891)**
Income tax calculated in accordance with national tax rates applicable in each country	748	2,248	617	1,832
Non-taxable revenues	25	99	21	98
Non-deductible expenses	(413)	(178)	(300)	(220)
Taxable income not booked in profit or loss	(117)	(78)	(116)	(61)
Deductible expenses not booked in profit or loss	44	144	40	142
Unrecognized taxable losses	(363)	(2,204)	(276)	(1,796)
Effect of change in tax rate	3	-	-	-
Losses carried forward recognized this year	710	14	-	-
Adjustments of tax attributable to previous years	20	(18)	20	15
Reported income tax	**657**	**27**	**6**	**10**
Effective tax rate	**20.1%**	**0.3%**	**0.2%**	**0.1%**

Deferred tax assets	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Losses carried forward	25	20	-	-
Allowance for credit losses	203	201	66	25
Share-based payments	6	2	-	-
Other	48	172	1	36
Total	**282**	**395**	**67**	**61**

Deferred tax liabilities	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Intangible assets	4	854	4	27
Other	1	58	-	59
Total	**5**	**912**	**4**	**86**

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

During 2023, deferred tax assets and liabilities have been recognized resulting in a SEK 808m (133m) profit in the income statement. Deferred tax assets have been recognized where the recognition criteria are met, of which SEK 710m (14m) is in respect of tax losses. The gross deferred tax assets and liabilities have been set off on the balance sheet to the extent the requirements for netting are met.

Tax losses carried forward in the Group for which tax assets are not recognized in the balance sheet amount to SEK 20,671m (22,454m) gross. Other deductible temporary differences which have not been recognized amount to SEK 504m (213m) gross. Deferred tax assets have not been recognized in respect of these temporary differences as they have not been assessed as likely to offset taxable profits elsewhere in the Group under the IAS 12 recognition criteria.

Tax losses carried forward for the parent, Klarna Bank AB (publ) including its branches, for which tax assets are not recognized in the balance sheet amount to SEK 20,595m (19,377m) gross.

Note 16 Net result from categories of financial instruments

	Group		Parent Company	
	2023	2022	2023	2022
Financial instruments mandatory measured at fair value through profit or loss	(664)	733	(692)	971
Financial assets measured at amortized cost	18,598	12,084	16,053	11,643
Financial liabilities measured at amortized cost	(4,082)	(1,750)	(4,308)	(1,731)
Currency exchange gains/losses	529	(1,299)	489	(1,296)
Total	**14,381**	**9,768**	**11,542**	**9,587**

Note 17 Proposed treatment of unappropriated earnings

The Board and the CEO propose to the Annual General Meeting that the non-restricted equity of SEK 14,445,057,114 on Klarna Bank AB (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward.

Additional Tier 1 instruments	276,000,000	SEK
Other reserves	(133,700,902)	SEK
Retained earnings	17,292,587,164	SEK
Net result for the year	(2,989,829,148)	SEK
Total	**14,445,057,114**	**SEK**

Note 18 Treasury bills chargeable at central banks, etc.

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
State and sovereigns	112	214	112	214
Municipalities and other public bodies	7,155	10,499	7,155	10,499
Total	**7,267**	**10,713**	**7,267**	**10,713**
By currency				
- in SEK	2,648	5,665	2,648	5,665
- in EUR	3,122	2,305	3,122	2,305
- in USD	1,497	2,743	1,497	2,743
Total	**7,267**	**10,713**	**7,267**	**10,713**

Note 19 Loans to credit institutions

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Loans to credit institutions	4,500	3,783	1,880	991
By currency				
- in SEK	275	195	152	80
- in EUR	869	821	600	400
- in NOK	-	54	-	15
- in USD	2,491	1,926	572	83
- in AUD	-	213	-	17
- in CHF	182	-	182	-
- in GBP	273	29	250	5
- in other currencies	410	545	124	391
Total	**4,500**	**3,783**	**1,880**	**991**

Note 20 Loans to the public

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Loans to the public[1]	89,602	78,137	83,867	79,910
Allowance for credit losses	(3,494)	(4,154)	(2,909)	(3,436)
Total	**86,108**	**73,983**	**80,958**	**76,474**

[1] Parent Company Loans to the public include a loan measured at fair value through profit or loss amounting to SEK 0m (486m).

As at 1 January 2022, Loans to the public is restated SEK (165)m. Refer to Section 27 in Note 2 in Accounting principles.

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

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2023	**68,895**	**6,054**	**1,940**	**1**	**1,247**	**78,137**
New assets originated or purchased	1,456,000	1,060	251	-	32,957	**1,490,268**
Assets derecognized or repaid (excl. write-offs)	(1,412,595)	(24,512)	(2,142)	-	(32,903)	**(1,472,152)**
Transfers to stage 1	6,377	(6,081)	(296)	-	-	-
Transfers to stage 2	(35,886)	36,044	(158)	-	-	-
Transfers to stage 3	(318)	(6,753)	7,071	-	-	-
Amounts written off	(87)	(604)	(5,160)	-	(147)	**(5,998)**
Other adjustments	(644)	6	1	-	(16)	**(653)**
Gross carrying amount as at December 31, 2023	**81,742**	**5,214**	**1,507**	**1**	**1,138**	**89,602**

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Allowance as at January 1, 2023[1]	**(1,520)**	**(1,016)**	**(1,366)**	**-**	**(252)**	**(4,154)**
New assets originated or purchased	(5,234)	(352)	(204)	-	(192)	**(5,982)**
Assets derecognized or repaid (excl. write-offs)	6,801	2,648	1,086	-	136	**10,671**
Transfers to stage 1	(602)	511	91	-	-	-
Transfers to stage 2	1,470	(1,549)	79	-	-	-
Transfers to stage 3	70	3,514	(3,584)	-	-	-
Impact on ECL from change in credit risk	(2,862)	(4,908)	(1,198)	-	(192)	**(9,160)**
Changes to models and inputs used for ECL calculations	559	59	(168)	-	-	**450**
Amounts written off	27	130	4,345	-	142	**4,644**
Other adjustments	15	11	6	-	5	**37**
Allowance as at December 31, 2023	**(1,276)**	**(952)**	**(913)**	**-**	**(353)**	**(3,494)**

[1] The table shows month over month movements.

Loans to the public of SEK 86.1bn (74.0bn) are loans still owed as at 31 December. This balance is only partially comparable to credit losses on the income statement as the income statement reports all activity during the year from 1 January to 31 December, while the balance sheet is a snapshot of lending outstanding as at 31 December.

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2022	**58,187**	**4,626**	**1,664**	**1**	**1,053**	**65,531**
Additions from business combinations	-	-	-	-	73	**73**
New assets originated or purchased	1,012,754	1,250	128	-	11,531	**1,025,663**
Assets derecognized or repaid (excl. write-offs)	(969,399)	(23,073)	(1,571)	-	(11,249)	**(1,005,292)**
Transfers to stage 1	7,092	(6,935)	(157)	-	-	-
Transfers to stage 2	(37,831)	37,942	(111)	-	-	-
Transfers to stage 3	(942)	(7,165)	8,107	-	-	-
Amounts written off	(291)	(582)	(6,098)	-	(56)	**(7,027)**
Other adjustments	(675)	(9)	(22)	-	(105)	**(811)**
Gross carrying amount as at December 31, 2022	**68,895**	**6,054**	**1,940**	**1**	**1,247**	**78,137**

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

[1] The table shows month over month movements.

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2023[1]	**72,415**	**4,659**	**1,807**	**1**	**542**	**79,424**
New assets originated or purchased	1,153,246	855	248	-	28,552	**1,182,901**
Assets derecognized or repaid (excl. write-offs)	(1,124,536)	(18,767)	(1,947)	-	(28,560)	**(1,173,810)**
Transfers to stage 1	5,890	(5,596)	(294)	-	-	-
Transfers to stage 2	(29,241)	29,393	(152)	-	-	-
Transfers to stage 3	(342)	(5,214)	5,556	-	-	-
Amounts written off	(73)	(541)	(3,899)	-	(114)	**(4,627)**
Other adjustments	(81)	2	58	-	-	**(21)**
Gross carrying amount as at December 31, 2023	**77,278**	**4,791**	**1,377**	**1**	**420**	**83,867**

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Allowance as at January 1, 2023[1]	**(1,285)**	**(730)**	**(1,244)**	**-**	**(177)**	**(3,436)**
New assets originated or purchased	(3,768)	(278)	(203)	-	(175)	**(4,424)**
Assets derecognized or repaid (excl. write-offs)	4,912	1,861	1,011	-	98	**7,882**
Transfers to stage 1	(565)	476	89	-	-	-
Transfers to stage 2	1,193	(1,266)	73	-	-	-
Transfers to stage 3	68	2,265	(2,333)	-	-	-
Impact on ECL from change in credit risk	(2,113)	(3,226)	(1,078)	-	(131)	**(6,548)**
Changes to models and inputs used for ECL calculations	427	64	(166)	-	-	**325**
Amounts written off	23	79	3,059	-	110	**3,271**
Other adjustments	10	5	2	-	4	**21**
Allowance as at December 31, 2023	**(1,098)**	**(750)**	**(790)**	**-**	**(271)**	**(2,909)**

[1] The table shows month over month movements.

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2022[1]	**61,483**	**3,276**	**1,459**	**2**	**722**	**66,942**
New assets originated or purchased	534,335	790	209	-	6,399	**541,733**
Assets derecognized or repaid (excl. write-offs)	(499,774)	(16,892)	(1,414)	(1)	(6,409)	**(524,490)**
Transfers to stage 1	6,413	(6,283)	(130)	-	-	-
Transfers to stage 2	(29,269)	29,354	(85)	-	-	-
Transfers to stage 3	(785)	(5,222)	6,007	-	-	-
Amounts written off	(214)	(360)	(4,211)	-	(42)	**(4,827)**
Other adjustments	226	(4)	(28)	-	(128)	**66**
Gross carrying amount as at December 31, 2022	**72,415**	**4,659**	**1,807**	**1**	**542**	**79,424**

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

[1] The table shows month over month movements.

Loans with a contractual amount of SEK 2,504m (3,436m) for the Group and SEK 1,278m (1,489m) for the Parent Company that were written off during the year are still subject to enforcement activity.

Note 21 Bonds and other interest-bearing securities

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Other borrowers	506	864	506	864
Total	**506**	**864**	**506**	**864**
- in SEK	506	864	506	864

Note 22 Shares and participations in group companies

Parent Company	31 Dec 2023	31 Dec 2022
Participations in group companies	15,465	10,942

Parent Company			31 Dec 2023		31 Dec 2022	
Subsidiaries	No. of shares	Share	Book value	Equity	Book value	Equity
Analyzd Technologies Ltd., Cyprus, Corp. ID HE 273011[1]	1,000	100%	-	0.0	16.5	19.2
Hero Towers Limited, The United Kingdom, Corp. ID 09570325	614,567	100%	1,229.3	1,343.9	1,229.3	1,229.3
Klarna Australia Holding Pty Ltd., Australia, Corp. ID 635 651 722	100,000,000	100%	1,051.5	1,121.0	48.6	68.2
Klarna Austria GmbH, Austria, Corp. ID FN 387052w	1	100%	0.3	56.1	0.3	43.9
Klarna Belgium N.V., Belgium, Corp. ID 0741.431.277	18,000	100%	0.2	37.7	0.7	6.4
Klarna B.V., The Netherlands, Corp. ID 50315250	61,500	100%	0.7	10.4	0.2	76.3
Klarna Canada Limited, Canada, Corp. ID BC1268207	1	100%	-	(21.8)	-	(14.6)
Klarna Commercial Consulting (Shanghai) Co., Ltd., China, Corp. ID 91310000MA1FPMBGXE	-	100%	3.7	8.5	3.7	8.8
Klarna Financial Services UK Ltd, The United Kingdom, Corp. ID 14290857	1,500,001	100%	1,004.2	931.6	-	-
Klarna Germany Holding GmbH, Germany, Corp. ID HRB 230268	25,000	100%	2,762.5	1,121.6	2,762.5	1,357.9
Klarna Inc., The United States, Corp. ID 99-0365994[2]	10,000,000	100%	3,252.1	2,767.7	-	-
Klarna Italy S.r.l., Italy, Corp. ID 10232490960	14,248	100%	24.7	24.8	24.7	8.3
Klarna Japan KK, Japan, Corp. ID 0104-01-140886[1]	148,201,614	100%	7.9	8.1	76.5	8.5
Klarna MAS AB, Sweden, Corp. ID 556864-9478	49,786	100%	288.5	71.9	259.0	48.1
Klarna Norge AS, Norway, Corp. ID 995 515 164	10,000	100%	0.1	123.6	0.1	108.2
Klarna OY, Finland, Corp. ID 2247127-6	2,500	100%	0.0	108.8	-	90.0
Klarna Participations AB, Sweden, Corp. ID 596918-1158[3]	-	0%	-	-	-	1.9
Klarna Payments, S.A. de C.V., Mexico, Corp. ID N-2021080794	14,578,672	100%	7.0	9.1	7.0	7.8
Klarna Poland sp. z o.o. Limited, Poland, Corp. ID 0000907691	100	100%	0.0	7.8	-	3.5
Klarna Runway Holding Inc, The United States, Corp. ID 86-2300658[2]	-	0%	-	-	654.6	2,754.3
Klarna Securities AB, Sweden, Corp. ID 559176-9905[1]	50,000	100%	9.3	9.7	25.5	4.6
Klarna Spain S.L., Spain, Corp. ID B88639240	3,000	100%	0.0	12.7	-	2.6
Klarna UK Limited, The United Kingdom, Corp. ID 08706739	1	100%	0.0	1.0	-	14.2
Pricerunner Group AB, Sweden, Corp. ID 559021-0851	251,721	100%	4,617.4	897.2	4,617.4	897.0
Search Engine Marketing Sweden AB, Sweden, Corp. ID 556809-5946[3]	-	0%	-	-	10.3	10.3
Stocard GmbH, Germany, Corp. ID HRB 712032	109,369	100%	1,205.2	205.1	1,205.2	93.4
Total			**15,464.6**		**10,942.1**	

[1] In 2023, shares were impaired of SEK 16.5m in Analyzd Technologies Ltd., SEK 68.6m in Klarna Japan KK and SEK 21.5m in Klarna Securities AB.

[2] In 2023, Klarna Runway Holding was merged with Klarna Inc.

[3] In 2023, Klarna Participations AB and Search Engine Marketing Sweden AB were fully disposed.

For the year ending December 31, 2023 the following subsidiary company was entitled to exemption from audit under section 479A of the Companies Act 2006, United Kingdom:
Klarna UK Limited (registered number 08706739)

		2023	2022
Group companies	Geographical area	Total net operating income	Total net operating income
Accolade AB	Sweden	1.8	9.8
Hero Technologies Inc.	The United States	-	17.2
Hero Towers Ltd.	The United Kingdom	133.9	1,310.7
Inspirock, Inc	The United States	2.5	5.1
Klarna Australia Holding Pty Ltd.	Australia	97.8	1.7
Klarna Australia Pty Ltd.	Australia	8.5	17.8
Klarna Austria GmbH	Austria	83.4	83.3
Klarna Belgium N.V.	Belgium	20.6	31.9
Klarna B.V.	The Netherlands	129.7	139.8
Klarna Canada Limited	Canada	253.0	232.2
Klarna Commercial Consulting (Shanghai) Co., Ltd.	China	6.1	9.6
Klarna Germany Holding GmbH	Germany	(240.5)	(946.3)
Klarna Glazing II LLC	The United States	34.1	22.4
Klarna Inc.[1]	The United States	6,228.5	8,050.4
Klarna Italy S.r.l.	Italy	236.9	221.2
Klarna Japan KK	Japan	7.5	7.8
Klarna MAS AB	Sweden	109.0	50.9
Klarna New Zealand	New Zealand	(2.1)	(0.7)
Klarna Norge AS	Norway	61.4	67.4
Klarna OY	Finland	60.7	46.8
Klarna Payments, S.A. de C.V.	Mexico	4.5	1.2
Klarna Poland sp. z o.o Limited	Poland	45.1	31.3
Klarna Runway Holding Inc	The United States	-	-
Klarna Securities AB	Sweden	0.3	0.1
Klarna Spain S.L.	Spain	160.9	137.5
Klarna UK Limited	The United Kingdom	1.2	-
Piggy LLC	The United States	18.2	67.0
PriceRunner Computer Technology Co.,Ltd	China	-	-
PriceRunner Denmark ApS	Denmark	249.8	194.6
PriceRunner GmbH	Germany	0.2	0.1
PriceRunner Group AB	Sweden	2.3	42.2
PriceRunner Holding AB	Sweden	1.0	80.3
PriceRunner International AB	Sweden	291.5	166.2
PriceRunner Ltd	The United Kingdom	42.8	24.2
PriceRunner Sweden AB	Sweden	146.1	127.4
Prisguiden AS	Norway	36.8	45.6
Sofort GmbH	Germany	1,178.5	2,037.2
Sofort UK Limited	The United Kingdom	-	-
Stocard GmbH	Germany	127.4	146.1
Stocard Pty Ltd	Australia	7.8	11.1
Stocard UK Limited	The United Kingdom	4.2	(0.3)
Toplooks LLC	The United States	-	2.3

[1] Klarna Inc received less intergroup income. Excluding these contributions total net operating income would have been SEK 4,626m (3,549m). Klarna Inc is not fully representative of Klarna's US results as certain activities are recognized in Klarna Bank AB (publ).

Note 23 Intangible assets

Group	Goodwill	Brands	Licenses	Capitalized development costs	Other intangible assets	Total
Purchase value as at January 1, 2023	5,727	1,202	80	3,795	2,941	13,745
Additions	-	-	3	887	-	890
Sales/disposals	-	-	(3)	-	-	(3)
Currency translation difference	16	-	-	15	(27)	4
Purchase value as at December 31, 2023	5,743	1,202	80	4,697	2,914	14,636
Amortization as at January 1, 2023	-	(65)	(64)	(1,396)	(427)	(1,952)
Amortization for the year	-	(73)	(6)	(854)	(322)	(1,255)
Sales/disposals	-	-	2	-	-	2
Currency translation difference	-	-	-	(9)	24	15
Amortization as at December 31, 2023	-	(138)	(68)	(2,259)	(725)	(3,190)
Impairment as at January 1, 2023	-	(82)	-	(67)	-	(149)
Impairment for the year	(30)	-	(1)	(190)	(10)	(231)
Currency translation difference	-	-	-	(3)	-	(3)
Impairment as at December 31, 2023	(30)	(82)	(1)	(260)	(10)	(383)
Carrying amount as at December 31, 2023	5,713	982	11	2,178	2,179	11,063

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

Parent Company	Goodwill	Licenses	Capitalized development costs	Other intangible assets	Total
Purchase value as at January 1, 2023	1,626	70	2,672	536	4,904
Additions	-	3	813	-	816
Reclassification	-	-	(1)	1	-
Currency translation difference	21	1	3	1	26
Purchase value as at December 31, 2023	1,647	74	3,487	538	5,746
Amortization as at January 1, 2023	(540)	(59)	(1,026)	(238)	(1,863)
Amortization for the year	(259)	(4)	(644)	(52)	(959)
Currency translation difference	7	-	(1)	(1)	5
Amortization as at December 31, 2023	(792)	(63)	(1,671)	(291)	(2,817)
Impairment as at January 1, 2023	-	-	(48)	-	(48)
Impairment for the year	(11)	-	(183)	-	(194)
Currency translation difference	-	-	5	-	5
Impairment as at December 31, 2023	(11)	-	(226)	-	(237)
Carrying amount as at December 31, 2023	844	11	1,590	247	2,692

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

Impairment testing of Goodwill and Intangible assets

The Group conducted its annual goodwill impairment test as of October 1, 2023. In performing this test all goodwill was allocated to one cash-generating unit (CGU) aligned with the Group's one operating segment. No impairment losses were identified as a result of the test as the fair value less cost to sell (FVLCS) of the CGU exceeded its carrying amount. In determining the FVLCS, the group applied a level 3 valuation methodology using a last twelve months revenue multiple as a key assumption. The Group performed a sensitivity analysis and compared the key assumption to peer company valuations. No reasonably possible changes in the key assumptions that would result in an impairment loss were identified in our sensitivity analysis.

In December 2023, the Group made a strategic decision to cease certain operations relating to prior acquisitions resulting in an impairment to Goodwill of SEK 30m and Intangible assets of SEK 162m.

Note 24 Tangible assets

Group	Leasehold improvements	Equipment	Total
Purchase value as at January 1, 2023	**159**	**660**	**819**
Additions	-	7	7
Sales/disposals	(7)	(60)	(67)
Currency translation difference	-	(1)	(1)
Purchase value as at December 31, 2023	**152**	**606**	**758**
Depreciation as at January 1, 2023	**(73)**	**(326)**	**(399)**
Depreciation for the year	(28)	(109)	(137)
Sales/disposals	3	37	40
Currency translation difference	1	3	4
Depreciation as at December 31, 2023	**(97)**	**(395)**	**(492)**
Impairment as at January 1, 2023	**(6)**	**(6)**	**(12)**
Impairment for the year	(15)	(16)	(31)
Sales/disposals	-	2	2
Impairment as at December 31, 2023	**(21)**	**(20)**	**(41)**
Carrying amount as at December 31, 2023[1]	**34**	**191**	**225**

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

[1] Leases are recognized as right-of-use assets and are included in Tangible assets in the Balance sheet. On December 31, 2023, the right-of-use assets amount to SEK 1,003m (1,636m), which are disclosed in note 7, Leases.

Parent Company	Leasehold improvements	Equipment	Total
Purchase value as at January 1, 2023	**128**	**555**	**683**
Additions	-	3	3
Sales/disposals	(6)	(43)	(49)
Currency translation difference	-	1	1
Purchase value as at December 31, 2023	**122**	**516**	**638**
Depreciation as at January 1, 2023	**(56)**	**(262)**	**(318)**
Depreciation for the year	(22)	(93)	(115)
Sales/disposals	2	26	28
Currency translation difference	1	1	2
Depreciation as at December 31, 2023	**(75)**	**(328)**	**(403)**
Impairment as at January 1, 2023	**(4)**	**(4)**	**(8)**
Impairment for the year	(15)	(9)	(24)
Impairment as at December 31, 2023	**(19)**	**(13)**	**(32)**
Carrying amount as at December 31, 2023[1]	**28**	**175**	**203**

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

[1] Leases are recognized as right-of-use assets and are included in Tangible assets in the Balance sheet. On December 31, 2023, the right-of-use assets amount to SEK 872m (1,381m), which are disclosed in note 7, Leases.

Note 25 Other assets

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Receivables from group companies	48	32	7,881	578
Current tax assets	373	359	82	67
VAT receivables	292	222	265	180
Derivatives	585	789	585	789
Contract assets	1,170	1,350	204	213
Other receivables	330	464	276	350
Total	**2,798**	**3,216**	**9,293**	**2,177**

For more information on derivatives, see note 26.

Note 26 Derivatives and hedge accounting

Group and Parent Company
31 Dec 2023

	Fair value		
Derivatives designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Interest rate swaps	52	(66)	22,802
Total	**52**	**(66)**	**22,802**

	Fair value		
Derivatives not designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Currency forwards	533	(202)	38,158
Total	**533**	**(202)**	**38,158**

Group and Parent Company
31 Dec 2022

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

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

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

Derivatives designated in a hedge relationship

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

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

Group and Parent Company
31 Dec 2023

		Carrying amount			
Fair value hedges: Hedging instrument and ineffectiveness	**Nominal amount**	**Positive**	**Negative**	**Change in fair value used to calculate hedge ineffectiveness**	**Ineffectiveness recognized in Net result from financial transactions**
Interest rate risk	22,802	52	(66)	(117)	3
Total	**22,802**	**52**	**(66)**	**(117)**	**3**

Group and Parent Company
31 Dec 2022

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

	31 Dec 2023	31 Dec 2022
Fair value hedges: Designated hedged item		
Deposits from the public	22,934	10,182
Of which: the accumulated amount of fair value adjustment	*14*	*(100)*

	Maturity 2023			Maturity 2022		
	Within 3 months	> 3 months and < 12 months	> 12 months	Within 3 months	> 3 months and < 12 months	> 12 months
Fair value hedges: Profile of the timing of the nominal amount of the hedge instrument						
Interest rate risk	2,585	15,789	4,427	189	4,457	5,501
Average fixed interest rate	2.48%	3.42%	3.30%	0.50%	2.42%	2.07%

Note 27 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accrued transaction-related income	496	574	126	177
Share-based payments	13	42	-	-
Prepaid licenses	177	216	174	208
Other accrued income	86	90	106	23
Prepaid marketing	19	26	16	19
Other prepaid expenses	67	117	43	96
Accrued interest	-	-	2	215
Total	**858**	**1,065**	**467**	**738**

Note 28 Liabilities to credit institutions

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Liabilities to credit institutions	1,636	2,829	1,264	2,829
By currency				
- in SEK	181	1,885	181	1,885
- in GBP	901	755	901	755
- in EUR	170	180	170	180
- in USD	384	9	12	9
Total	**1,636**	**2,829**	**1,264**	**2,829**

For maturity analysis of financial liabilities, see note 39.

Note 29 Deposits from the public

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Deposits from the public	97,096	81,470	96,789	81,162
of which: fair value adjustment for hedged risk	14	(100)	14	(100)
Total	**97,096**	**81,470**	**96,789**	**81,162**
By currency				
- in SEK	12,089	15,011	12,089	15,011
- in EUR	84,354	65,835	84,354	65,835
- in other currencies	653	624	346	316
Total	**97,096**	**81,470**	**96,789**	**81,162**

For maturity analysis of financial liabilities, see note 39.

Note 30 Debt securities issued

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Senior unsecured bonds	451	1,115	451	1,115
Commercial papers	200	22	200	22
Convertible promissory notes	-	539	-	-
Total	**651**	**1,676**	**651**	**1,137**

During 2023, a total of SEK 664m of notes issued under the Medium Term Notes program matured and SEK 539m convertible promissory notes were repurchased.

For maturity analysis of financial liabilities, see note 39.

Note 31 Other liabilities

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accounts payable	414	184	206	108
Personnel related taxes	80	198	61	179
Liabilities to group companies	7,208	11,051	14,276	14,158
Current tax liabilities	177	87	105	36
Liabilities to retailers	8,479	6,904	7,444	5,912
Derivatives	268	135	268	135
Lease liabilities	1,234	1,757	1,047	1,461
Other liabilities	1,313	1,809	713	612
Total	**19,173**	**22,125**	**24,120**	**22,601**

Klarna Bank AB (publ) has received a line of credit from its parent company Klarna Holding AB (publ). The credit liability amounted to SEK 6,733m (10,805m) as of December 31, 2023 and is included in Liabilities to group companies. The line of credit is ranked pari passu with all other unsecured indebtedness.

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

Note 32 Accrued expenses and prepaid income

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accrued personal and consultant related costs	642	696	524	578
Accrued marketing costs	489	437	327	187
Accrued outsourced and IT costs	542	352	474	309
Other accrued expenses and prepaid income	500	559	241	302
Accrued commission costs	298	175	290	173
Accrued interest costs	972	306	1,001	524
Accrued scoring and distribution costs	143	123	116	75
Total	**3,586**	**2,648**	**2,973**	**2,148**

For maturity analysis of financial liabilities, see note 39.

Note 33 Provisions

Group	Pensions and other post-employment obligations	Pending legal issues and tax litigations	Other provisions	Total
Provisions as at January 1, 2023	9	7	2	18
New provisions	6	-	-	6
Amounts used	(2)	-	(1)	(3)
Provisions as at December 31, 2023	13	7	1	21

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
Provisions as at January 1, 2023	54	39	1	94
New provisions	47	14	1	62
Reversed provisions	(37)	(40)	(3)	(80)
Transfers to stage 1	14	(14)	-	-
Transfers to stage 2	(1)	1	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL from change in credit risk	25	5	1	31
Provisions as at December 31, 2023	102	5	-	107

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

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

Parent Company	Pending legal issues and tax litigations	Other provisions	Total
Provisions as at January 1, 2023	8	1	9
Amounts used	-	(1)	(1)
Provisions as at December 31, 2023	8	-	8

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
Provisions as at January 1, 2023	57	39	1	97
New provisions	44	14	1	59
Reversed provisions	(35)	(39)	(3)	(77)
Transfers to stage 1	14	(13)	(1)	-
Transfers to stage 2	(1)	1	-	-
Transfers to stage 3	-	-	-	-
Impact on year end ECL from change in credit risk	26	4	1	31
Provisions as at December 31, 2023	105	6	(1)	110

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

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

Note 34 Subordinated liabilities

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Subordinated note, nominal value	-	300	-	300
Transaction expenses	-	-1	-	-1
Accrued interest	-	4	-	4
Total	**-**	**303**	**-**	**303**

On July 5, 2018, Klarna Bank AB (publ) issued SEK 300m of subordinated notes due 2028. The notes have a floating coupon rate corresponding to STIBOR 3M plus 3.5% per annum. The interest is paid on a quarterly basis. The notes were called on the first call date of July 5, 2023. For maturity analysis of financial liabilities, see note 39.

Note 35 Untaxed reserves

	Parent Company	
	31 Dec 2023	31 Dec 2022
Additional depreciation	-	-
Total	**-**	**-**

Note 36 Pledged assets and contingent liabilities

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Pledged assets				
Assets pledged for own liabilities				
Pledged loans to the public and credit institutions	2,775	2,717	2,775	2,717
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	-	1,402	-	1,402
Other pledged assets	32	34	-	-
Total	**2,807**	**4,153**	**2,775**	**4,119**
Contingent liabilities and commitments				
Contingent liabilities				
Guarantees	-	44	-	44
Commitments	15,424	16,438	29,855	28,043
Total	**15,424**	**16,482**	**29,855**	**28,087**

Parts of the receivables are continuously pledged as collateral for liabilities to credit institutions which provides security for the Group's credit facility. The credit liability amounted to SEK 0m (0m) as at December 31, 2023.

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

Commitments contain an undrawn part of consumer credit line amounting to SEK 0m (5,006m) and a commitment to refund consumers in the event of returns to a defaulted retailer amounting to SEK 14,747m (11,333m) as at December 31, 2023. Commitment to fund loans as at December 31, 2023 amounted to SEK 677m (99m).

Note 37 Fair value of financial assets and liabilities

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

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

Treasury bills chargeable at central banks, etc., Bonds and other interest-bearing securities, 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 fair value for Other shares and participations is based on quoted market prices where available or valuation techniques using unobservable data (see Note 38 Classification of financial assets and liabilities for further detail on basis).

For derivatives the fair value is based upon input parameters which are observable from independent and reliable market data sources.

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

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

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).

The below fair values are calculated for disclosure purposes only.

	31 Dec 2023			31 Dec 2022		
Group	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Assets						
Cash and balances with central banks	22,028	22,028	-	16,085	16,085	-
Treasury bills chargeable at central banks, etc.	7,021	7,267	(246)	10,237	10,713	(476)
Loans to credit institutions	4,500	4,500	-	3,783	3,783	-
Loans to the public	86,108	86,108	-	73,983	73,983	-
Bonds and other interest-bearing securities	492	506	(14)	827	864	(37)
Other shares and participations	345	345	-	338	338	-
Other assets	421	421	-	497	497	-
Other assets (derivatives)	585	585	-	789	789	-
Prepaid expenses and accrued income	582	582	-	665	665	-
Total	**122,082**	**122,342**	**(260)**	**107,204**	**107,717**	**(513)**

	31 Dec 2023			31 Dec 2022		
Group	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Liabilities						
Liabilities to credit institutions	1,636	1,636	-	2,829	2,829	-
Deposits from the public	97,365	97,096	269	81,109	81,470	(361)
Debt securities issued	648	651	(3)	1,644	1,676	(32)
Other liabilities	18,523	18,523	-	21,623	21,623	-
Other liabilities (derivatives)	268	268	-	135	135	-
Accrued expenses and prepaid income	3,563	3,563	-	2,608	2,608	-
Subordinated liabilities	-	-	-	300	303	(3)
Total	**122,003**	**121,737**	**266**	**110,248**	**110,644**	**(396)**

	31 Dec 2023			31 Dec 2022		
Parent Company	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Assets						
Cash and balances with central banks	22,028	22,028	-	16,085	16,085	-
Treasury bills chargeable at central banks, etc.	7,021	7,267	(246)	10,237	10,713	(476)
Loans to credit institutions	1,880	1,880	-	991	991	-
Loans to the public	80,958	80,958	-	76,474	76,474	-
Bonds and other interest-bearing securities	492	506	(14)	827	864	(37)
Other shares and participations	345	345	-	338	338	-
Other assets	8,157	8,157	-	929	929	-
Other assets (derivatives)	585	585	-	789	789	-
Prepaid expenses and accrued income	284	284	-	415	415	-
Total	**121,750**	**122,010**	**(260)**	**107,085**	**107,598**	**(513)**

	31 Dec 2023			31 Dec 2022		
Parent Company	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Liabilities						
Liabilities to credit institutions	1,264	1,264	-	2,829	2,829	-
Deposits from the public	97,058	96,789	269	80,801	81,162	(361)
Debt securities issued	648	651	(3)	1,105	1,137	(32)
Other liabilities	23,571	23,571	-	22,186	22,186	-
Other liabilities (derivatives)	268	268	-	135	135	-
Accrued expenses and prepaid income	2,962	2,962	-	2,130	2,130	-
Subordinated liabilities	-	-	-	300	303	(3)
Total	**125,771**	**125,505**	**266**	**109,486**	**109,882**	**(396)**

Note 38 Classification of financial assets and liabilities into measurement categories

Group 31 Dec 2023	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
Assets				
Cash and balances with central banks	-	22,028	-	22,028
Treasury bills chargeable at central banks, etc.	-	7,267	-	7,267
Loans to credit institutions	-	4,500	-	4,500
Loans to the public	-	86,108	-	86,108
Bonds and other interest-bearing securities	-	506	-	506
Other shares and participations	345	-	-	345
Intangible assets	-	-	11,063	11,063
Tangible assets	-	-	1,228	1,228
Deferred tax assets	-	-	282	282
Other assets	585	421	1,792	2,798
Prepaid expenses and accrued income	-	582	276	858
Total	930	121,412	14,641	136,983

Group 31 Dec 2023	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	1,636	-	1,636
Deposits from the public	-	97,096	-	97,096
Debt securities issued	-	651	-	651
Deferred tax liabilities	-	-	5	5
Other liabilities	268	18,523	382	19,173
Accrued expenses and prepaid income	-	3,563	23	3,586
Provisions	-	-	128	128
Subordinated liabilities	-	-	-	-
Total	268	121,469	538	122,275

Group 31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
Assets				
Cash and balances with central banks	-	16,085	-	16,085
Treasury bills chargeable at central banks, etc.	-	10,713	-	10,713
Loans to credit institutions	-	3,783	-	3,783
Loans to the public	-	73,983	-	73,983
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	106,590	16,413	124,130

Group 31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	2,829	-	2,829
Deposits from the public	-	81,470	-	81,470
Debt securities issued	539	1,137	-	1,676
Deferred tax liabilities	-	-	912	912
Other liabilities	135	21,623	367	22,125
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

Parent Company 31 Dec 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	-	22,028	-	22,028
Treasury bills chargeable at central banks, etc.	-	7,267	-	7,267
Loans to credit institutions	-	1,880	-	1,880
Loans to the public	-	80,958	-	80,958
Bonds and other interest-bearing securities	-	506	-	506
Shares and participations in group companies	-	-	15,465	15,465
Other shares and participations	345	-	-	345
Intangible assets	-	-	2,692	2,692
Tangible assets	-	-	1,075	1,075
Deferred tax assets	-	-	67	67
Other assets	585	8,157	551	9,293
Prepaid expenses and accrued income	-	284	183	467
Total	930	121,080	20,033	142,043

Parent Company 31 Dec 2023	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
Liabilities to credit institutions	-	1,264	-	1,264
Deposits from the public	-	96,789	-	96,789
Debt securities issued	-	651	-	651
Deferred tax liabilities	-	-	4	4
Other liabilities	268	23,571	281	24,120
Accrued expenses and prepaid income	-	2,962	11	2,973
Provisions	-	-	118	118
Subordinated liabilities	-	-	-	-
Total	268	125,237	414	125,919

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	75,988	-	76,474
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	459	2,177
Prepaid expenses and accrued income	-	415	323	738
Total	1,613	105,985	16,516	124,114

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	-	81,162	-	81,162
Debt securities issued	-	1,137	-	1,137
Deferred tax liabilities	-	-	86	86
Other liabilities	135	22,186	280	22,601
Accrued expenses and prepaid income	-	2,130	18	2,148
Provisions	-	-	106	106
Subordinated liabilities	-	303	-	303
Total	135	109,747	490	110,372

The following table shows the financial assets and liabilities measured at fair value, divided into the three valuation levels. For description of the fair value levels, see note 2, Accounting principles, section 11. No transfers between levels have been made during 2023.

Group 31 Dec 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Other shares and participations	81	-	264	345
Other assets (derivatives)	-	585	-	585
Total	81	585	264	930
Financial liabilities				
Debt securities issued	-	-	-	-
Other liabilities (derivatives)	-	268	-	268
Total	-	268	-	268

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

Parent Company 31 Dec 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	-	-
Other shares and participations	81	-	264	345
Other assets (derivatives)	-	585	-	585
Total	81	585	264	930
Financial liabilities				
Other liabilities (derivatives)	-	268	-	268
Total	-	268	-	268

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

Movements in Level 3

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

Group	Financial assets	Financial liabilities
	Other shares and participations	Debt securities issued[2]
Balance as at January 1, 2023	**271**	**539**
Gain/loss in income statement[1]	1	(211)
of which: unrealized gain/loss	1	-
of which: realized gain/loss	-	(211)
Repurchase	-	(331)
Impact of foreign exchange movements	(8)	3
Balance as at December 31, 2023	**264**	**-**

Group	Financial assets	Financial liabilities
	Other shares and participations	Debt securities issued[2]
Balance as at January 1, 2022	**262**	**326**
Gain/loss in income statement[1]	(24)	20
of which: unrealized gain/loss	(24)	20
Issuances	-	168
Impact of foreign exchange movements	33	25
Balance as at December 31, 2022	**271**	**539**

[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.

During the period SEK 539m of Debt securities issued were repurchased resulting in a gain of SEK 211m which was recognized in the income statement. The Debt securities issued were valued in prior periods using level 3 valuation models.

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	(13)
of which: unrealized gain/loss	1	(13)
Conversion	-	(475)
Impact of foreign exchange movements	(8)	2
Balance as at December 31, 2023	**264**	**-**

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

The impact of a 10% increase in valuation inputs of Debt securities issued would increase liabilities by SEK 0m (10m). The impact of a 10% decrease would decrease liabilities by SEK 0m (10m).

The impact of a 10% increase in valuation inputs of Loans to the public would increase assets by SEK 0m (9m). The impact of a 10% decrease would decrease assets by SEK 0m (9m).

Note 39 Maturity analysis for financial assets and liabilities

Group	31 Dec 2023			31 Dec 2022		
	Expected to be recovered or settled:			Expected to be recovered or settled:		
Contractual undiscounted cash flows	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities to credit institutions	1,636	-	1,636	2,844	-	2,844
Deposits from the public	84,561	14,166	98,727	63,629	18,804	82,433
Debt securities issued	574	85	659	718	994	1,712
Other liabilities	10,485	8,395	18,880	9,151	12,750	21,901
Accrued expenses and prepaid income	3,497	66	3,563	2,490	118	2,608
Subordinated liabilities	-	-	-	16	374	390
Total	**100,753**	**22,712**	**123,465**	**78,848**	**33,040**	**111,888**

Parent Company	31 Dec 2023			31 Dec 2022		
	Expected to be recovered or settled:			Expected to be recovered or settled:		
Contractual undiscounted cash flows	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities to credit institutions	1,264	-	1,264	2,843	-	2,843
Deposits from the public	84,264	14,156	98,420	63,327	18,798	82,125
Debt securities issued	574	85	659	717	456	1,173
Other liabilities	15,680	8,241	23,921	9,897	12,557	22,454
Accrued expenses and prepaid income	2,898	65	2,963	2,022	108	2,130
Subordinated liabilities	-	-	-	16	374	390
Total	**104,680**	**22,547**	**127,227**	**78,822**	**32,293**	**111,115**

Parent Company
Contractual undiscounted cash flows

31 Dec 2023	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Loans to credit institutions	1,798	73	9	-	-	1,880
Loans to the public	44,644	28,716	6,565	8,140	-	88,065
Total assets	**46,442**	**28,789**	**6,574**	**8,140**	**-**	**89,945**
Liabilities to credit institutions	363	-	901	-	-	1,264
Deposits from the public	18,593	13,780	51,891	14,156	-	98,420
Debt securities issued	-	570	4	85	-	659
Total liabilities	**18,956**	**14,350**	**52,796**	**14,241**	**-**	**100,343**

Parent Company
Contractual undiscounted cash flows

31 Dec 2022	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Loans to credit institutions	990	-	-	1	-	991
Loans to the public	24,724	33,324	18,642	10,097	1	86,788
Total assets	**25,714**	**33,324**	**18,642**	**10,098**	**1**	**87,779**
Liabilities to credit institutions	669	1,406	769	-	-	2,844
Deposits from the public	22,098	8,746	32,484	18,798	-	82,126
Debt securities issued	-	33	685	456	-	1,174
Total liabilities	**22,767**	**10,185**	**33,938**	**19,254**	**-**	**86,144**

Of the Treasury bills chargeable at central banks, etc., SEK 3,549m (3,414m) have a remaining maturity of up to one year. Of the Bonds and other interest-bearing securities, SEK 404m (360m) have a remaining maturity of up to one year.

Note 40 Interest received and paid

	Group		Parent Company	
	2023	2022	2023	2022
Interest payments received	4,134	4,004	4,110	4,004
Interest expenses paid	-2,096	-839	-2,095	-839

Note 41 Share-based payments

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

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

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

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

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

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

Employee Restricted Shares
A restricted share award scheme in which some employees acquired restricted shares in a group entity that retains an ownership interest in Klarna Bank AB (publ) became fully vested during the year. The restricted share awards were accounted for as an equity settled share-based payment. The restricted shares were acquired by employees in exchange for a cash payment at fair market value, measured at the grant date and therefore no associated expense was recognized. At the balance sheet date the employee retained shares in a group entity holding an ownership interest in Klarna Bank AB (publ) are reflected in minority interest.

Other Equity Awards
During 2023, 0 (2,955) equity instruments were issued in relation to business acquisitions. The instruments granted to specific individuals of the acquired companies entitle the recipient to one ordinary share in Klarna Holding AB (publ). There is a four year vesting period associated with these instruments, and they are accounted for as equity-settled share-based payment compensation and recognized as a post business combination expense. During the year, 2,367 (23,275) equity instruments were released related to employees leaving Klarna. The future personnel costs associated with the released equity instruments were expensed in the income statement at the last day of employment. The instruments have been measured based on the fair market value of the underlying ordinary shares at the date of grant.

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

Group	Restricted stock units		Other equity awards	
	Number of RSUs	Weighted average fair value at grant SEK	Number of shares	Weighted average fair value at grant SEK
January 1, 2023	**8,544,987**	**63**	**29,824**	**8,646**
Granted during the year	7,081,803	45	-	-
Released during the year	(2,411,162)	67	(2,367)	14,789
Forfeited during the year	(2,450,832)	54	-	-
December 31, 2023	**10,764,796**	**52**	**27,457**	**6,524**

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

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

Group	Stock warrants	
	Number of warrants	Weighted average exercise price SEK
January 1, 2023	**1,933,083**	**5,206**
Granted during the year	1,102,024	6,131
Exercised during the year[1]	(65,346)	807
Forfeited during the year	(417,518)	79
December 31, 2023	**2,552,243**	**5,706**

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

[1] The weighted average share price at the date of exercise of these warrants was SEK 2,295.

The range of exercise prices for warrants outstanding at the end of the year is between 1 and 14,789 SEK (1 to 14,789 SEK). The weighted average remaining contractual life for warrants is 3.5 years (4.1). The number of exercisable warrants amounts to 51,500 (11,500) as at 31 December 2023.

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

	Stock warrants	
Group	**2023**	**2022**
Expected volatility (%)	35-37	35
Risk-free interest rate (%)	2.6-3.3	2.2 - 2.5
Expected term (years)	2.8-5.3	3.4 - 3.7
Weighted average share price (SEK)	2,295	2,305

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

The weighted average fair value of warrants granted during the year was 171 SEK (116 SEK).

The total expense recognized in the income statement in relation to share-based payments is 439m (461m).

Note 42 Information on related parties

Group and Parent Company

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

During the year, there have been normal business transactions between companies in the Group and agreed remuneration has been paid to the CEO, Board of Directors and other senior management personnel. The following transactions have taken place with related parties:

2023	Klarna Holding	Subsidiaries
Related parties - revenues and expenses		
Interest income	-	538
Interest expenses	(328)	(601)
Services sold, sales	12	1,119
Services purchased	-	(2,677)
Group contribution received	-	61,100

31 Dec 2023	Klarna Holding	Subsidiaries
Related parties - assets and liabilities		
Loan receivables	-	10,029
Other receivables	(48)	7,749
Loan liabilities	7,208	13,976
Other liabilities	-	331

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

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

In 2023, PriceRunner Group AB, PriceRunner Sweden AB and PriceRunner International AB gave a group contribution of SEK 61m to Klarna Bank AB (publ). There were no group contributions in 2022.

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

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

Note 43 Capital adequacy and leverage ratio

Capital adequacy regulations
Capital adequacy refers to the ability of an institution's Own Funds to cover the risk it is exposed to. Within the EU the capital adequacy requirements are contained in the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR), both implemented in 2014. These regulations are based on the global capital adequacy standards Basel II and III, and define minimum requirements for total own funds in relation to risk-weighted exposure amounts (Pillar I), rules for the Internal Capital Adequacy Process and Internal Liquidity Adequacy Assessment Process "ICLAAP" as well as the Supervisory Review and Evaluation Process "SREP" (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 11,632m as of December 31, 2023 (SEK 14,865m).

During 2023, Common Equity Tier 1 for the consolidated situation of Klarna Holding AB (publ) decreased by SEK 3,233m as a result mainly from operating losses incurred during the year (SEK 2,332m) which arose due to investments made in relation to peak shopping season and increased lending due to higher volumes during the period. Additional factors were a decrease of unrealized foreign exchange gains (SEK 180m), a reduction in the IFRS9 transitional relief (SEK 830m), a decrease of Other reserves (SEK 384m), partially offset by an increase in share premium (SEK 537m).

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 which were redeemed on the first call date on November 15, 2023.

Subordinated liabilities
On July 5, 2018, Klarna Bank AB (publ) issued SEK 300m subordinated notes due 2028 which were redeemed on the first call date on 5 July, 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.

On August 16, 2023, Klarna Holding AB (publ) issued SEK 250m 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 August 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.

Pillar II Requirements and Guidance
Pillar II requirements cover risks that are not or are insufficiently covered by Pillar I and are determined by the Swedish Financial Supervisory Authority (SFSA) as the result of its periodic Supervisory Risk Evaluation Process (SREP). From September 29, 2023, Klarna Group's Pillar II requirements were 0.94% of the risk exposure amount. Pillar II Guidance is the level of capital that the SFSA assesses to be a suitable level for each bank to hold to cover, for example, risks or aspects of risks and manage future stressed situations. From September 29, 2023, Klarna's Pillar II Guidance amount is set to 3.5% of the risk exposure amount.

The Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (Pillar II)
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 report is updated at least yearly.

The internally assessed capital requirement is based on the minimum capital requirement under Pillar I, the capital requirement for risks managed under Pillar II and the combined buffer requirements. The internally assessed capital required as per December 2023 amounts to SEK 11,513m (SEK 9,677m) for Klarna Bank AB (publ) and SEK 9,074m (SEK 8,230m) for the consolidated situation. Klarna thereby has sufficient capital to cover for required capital under Pillar I and Pillar II, including combined buffer requirements.

Capital Buffer Requirements
As at December 31, 2023, Klarna was subject to a Capital conservation buffer of 2.5% and to a Countercyclical capital buffer of 0.98% of the risk exposure amount for the consolidated situation, and 1.04% of the risk exposure amount for Klarna Bank AB.

Capital adequacy disclosure
Capital adequacy disclosures in accordance with the requirements in Commission Implementing Regulation (EU) No 2021/637 and the Swedish Financial Supervisory Authority (Finansinspektionen) requirements FFFS 2014:12 can be found in Klarna's Capital adequacy reports.

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 one 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 zero 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 December 31, 2023, an amount of SEK 177m Additional Tier 1 capital instruments issued by Klarna Bank AB (publ) were included in the Own funds of Klarna Holding AB (publ) consolidated.

Capital adequacy information	Consolidated situation 31 Dec 2023	Consolidated situation 31 Dec 2022	Klarna Bank AB (publ) 31 Dec 2023	Klarna Bank AB (publ) 31 Dec 2022
Own funds, total risk exposure amount and total leverage ratio exposure				
Common Equity Tier 1 capital	11,632	14,865	14,544	12,613
Tier 1 capital	11,809	15,292	14,820	12,889
Own funds	12,560	15,548	14,820	13,191
Total risk exposure amount	71,794	68,597	90,210	80,078
Total leverage ratio exposure	131,831	119,462	145,722	127,312
Capital adequacy analysis				
Common Equity Tier 1 capital ratio	16.2%	21.7%	16.1%	15.8%
Tier 1 capital ratio	16.4%	22.3%	16.4%	16.1%
Total capital ratio	17.5%	22.7%	16.4%	16.5%
Leverage ratio	9.0%	12.8%	10.2%	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 (%)	11.2%	17.2%	11.0%	11.3%
Exposure amounts for credit risk according to the standardized approach				
Credit risk including counterparty credit risk	115,018	108,144	127,341	115,597
of which: central governments or central banks	23,192	16,982	22,863	16,645
of which: regional governments or local authorities	2,683	5,063	2,683	5,063
of which: public sector entities	1,163	-	1,163	-
of which: multilateral development banks	1,777	5,436	1,777	5,436
of which: international organisations	1,102	-	1,102	-
of which: institutions	5,910	4,695	3,158	1,868
of which: corporates	9,440	7,785	22,687	17,935
of which: retail	63,938	59,690	51,787	51,227
of which: exposures in default	567	572	565	551
of which: covered bonds	506	864	506	864
of which: equity	345	338	15,810	11,280
of which: other items	4,395	6,719	3,240	4,728
Total exposure amount	**115,018**	**108,144**	**127,341**	**115,597**
Risk exposure amounts according to the standardized approach				
Credit risk including counterparty credit risk	64,479	62,119	82,197	73,816
of which: institutions	1,182	939	632	374
of which: corporates	9,151	7,703	22,396	17,854
of which: retail	47,953	44,768	38,840	38,421
of which: exposures in default	620	598	731	577
of which: covered bonds	51	86	51	86
of which: equity	742	744	16,207	11,686
of which: other items	4,780	7,281	3,340	4,818
Securitisation positions	1,445	1,131	1,445	1,131
Market risk	1,217	1,478	1,637	1,023
of which: foreign exchange risk	1,217	1,478	1,637	1,023
Operational risk	4,535	3,742	4,813	3,981
Credit valuation adjustments	118	127	118	127
Total risk exposure amount	**71,794**	**68,597**	**90,210**	**80,078**

	Consolidated situation 31 Dec 2023	Consolidated situation 31 Dec 2022	Klarna Bank AB (publ) 31 Dec 2023	Klarna Bank AB (publ) 31 Dec 2022
Total minimum capital requirements				
Credit risk including counterparty credit risk	5,158	4,969	6,576	5,905
of which: institutions	95	75	51	30
of which: corporates	732	616	1,791	1,428
of which: retail	3,836	3,582	3,107	3,074
of which: exposures in default	50	48	59	46
of which: covered bonds	4	7	4	7
of which: equity	59	59	1,297	935
of which: other items	382	582	267	385
Securitisation positions	116	90	116	90
Market risk	97	118	131	82
of which: foreign exchange risk	97	118	131	82
Operational risk	363	299	385	318
Credit valuation adjustments	9	11	9	10
Total capital requirement	**5,743**	**5,487**	**7,217**	**6,405**
Own funds disclosure				
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts	42,089	41,553	35,317	30,048
Retained earnings	(18,559)	(8,666)	(17,717)	(8,473)
Accumulated other comprehensive income (and other reserves)	590	1,155	1,276	935
Common Equity Tier 1 capital before regulatory adjustments	**24,120**	**34,042**	**18,876**	**22,510**
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	(1)	(2)	(1)	(1)
Intangible assets (net of related tax liability)	(10,288)	(9,947)	(1,414)	(1,877)
Losses for the current financial year	(2,332)	(10,293)	(3,028)	(8,876)
IFRS 9 transitional adjustments to CET1 Capital	496	1,343	449	1,115
Deferred tax assets rely on future profitability	(25)	(20)	-	-
Securitisation positions alternatively subject to a 1250% risk weight	(338)	(258)	(338)	(258)
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	**(12,488)**	**(19,177)**	**(4,332)**	**(9,897)**
Common Equity Tier 1 (CET1) capital	**11,632**	**14,865**	**14,544**	**12,613**
Additional Tier 1 (AT1) capital instruments				
Capital instruments and the related share premium accounts	-	257	276	276
of which: classified as equity under applicable accounting standards	-	257	276	276
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	177	170	-	-
Total Additional Tier 1 (AT1) capital instruments	**177**	**427**	**276**	**276**
Tier 1 capital	**11,809**	**15,292**	**14,820**	**12,889**
Tier 2 (T2) capital instruments				
Capital instruments and the related share premium accounts	751	-	-	302
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	-	256	-	-
Total Tier 2 (T2) capital instruments	**751**	**256**	**-**	**302**
Own funds	**12,560**	**15,548**	**14,820**	**13,191**

Note 44 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 (41)m 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 December 31, 2022, PriceRunner Group AB and its wholly-owned subsidiaries contributed by SEK 437m, net, to the Group's total operating revenues. The total effect on the Group's net result was SEK 72m. If the acquisition date for the combined entity had been as of the beginning of the reporting period, the Group's total operating revenues would have been SEK 128m higher 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. In 2023, Klarna Runway Holding was merged with Klarna Inc.

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

Note 45 Significant events after the end of the reporting period

No significant events have occurred after the closing date.

Definitions and Abbreviations

Adjusted Operating Result*
Adjusted operating result is an alternative performance measure (APM).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 are not a function of the Group's underlying operating performance.

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
Common Equity Tier 1 (CET1) capital is the highest quality regulatory capital as it absorbs losses as soon as they happen. It includes 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.

CET1 ratio
A core measure of a bank's financial strength. This is calculated by dividing CET1 by risk exposure amounts (REAs). The higher the ratio the more reserves a bank has.

Consumer
An individual or company using our services.

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

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

Gross Merchandise Volume
Value of products sold through Klarna platform.

Gross Profit*
Klarna believes gross profit is the best indicator of the core profitability of the Group's business activities before the deduction of indirect costs. Gross profit is defined as Total net operating income in accordance with IFRS, including costs related to processing and servicing (within statutory metric, General administrative expenses) and consumer credit losses (within statutory metric, Credit losses, net). Costs of which are not directly related to revenue-generating activities within Interest expenses, Commission expenses and Net result from financial transactions are excluded.

Own funds (Total capital)
The sum of Tier 1 capital and Tier 2 capital.

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*
Revenue is an APM that illustrates the total income Klarna generates from transactions, prior to deduction of expenses. 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. Revenue is defined as IFRS Total net 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 Interest income (see note 5).

Risk Exposure Amount (REAs)
Risk Exposure Amount refers to the total exposure of a bank, financial institution, or any other regulated entity to potential losses. It is the sum of credit risk, operational risk, market risk and the risk of a credit valuation adjustment.

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

Board of Directors' affirmation

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

Stockholm, February 27, 2024

Michael Moritz
Chairman of the Board

Mikael Walther
Board member

Lise Kaae
Board member

Sarah Smith
Board member

Roger Ferguson
Board member

Omid Kordestani
Board member

Matthew Miller
Board member

Sebastian Siemiatkowski
CEO and Board member

Our audit report was submitted on 27 february 2024

Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant

Auditor's report – translated from Swedish signed version

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Klarna Bank AB (publ) for the year 2023 except for the corporate governance report on pages 12-19. The annual accounts and consolidated accounts of the company are included on pages 9-68 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance report on pages 12-19. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matter

Key audit matter of the audit is the matter that, in our professional judgment, was of most significance in our audit of the annual accounts and consolidated accounts of the current period. This matter was addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts, but we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Allowance for expected credit losses for loans to the public

Description	*How our audit addressed this key audit matter*
As described in Note 20 of the consolidated financial statements the gross loans to the public were SEK 89 602 million and SEK 83 867 million for the consolidated accounts and parent company respectively, and the corresponding allowance for expected credit losses was SEK 3 494 million and SEK 2 909 million per the 31st of December 2023. As explained in note 2 and note 14, the allowance for credit losses is calculated either as 12 months expected credit loss or lifetime expected credit loss. The expected credit loss ("ECL") allowance is based on the latter if there has been a significant increase in credit risk since initial recognition. When calculating ECL on a collective basis, the ECL components are calculated based on segmentation which is built on shared risk characteristics. The probability of default (PD) component is segmented by geographical region, instrument type and by days since origination. The loss given default (LGD) component is dependent on geographical region, retailer type, days past due, and, in some cases, recoveries from the sale of non-performing portfolios. Given the complexity of the calculation and that it requires management to make key judgements and assumptions, the allowance for expected credit losses for loans to the public is a key audit matter.	We have performed a walkthrough of the process for estimating the allowance for expected credit losses as well as performed testing of IT general controls of the systems that are relevant for the process. We have examined management's analysis of expected credit losses, reviewed underlying model documentation and evaluated the outcome of management's model validation procedures. We have tested, on a sample basis, the underlying data used in the supporting calculations including review of PD and LGD components and segmentation. We have examined and assessed the assumptions and parameters used in the models and compared actual losses to expected, including a lookback analysis. We have further assessed the reasonableness of any manual adjustments to the ECL. Additionally, we have reviewed the disclosures related to the allowance for expected credit losses for loans to the public.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-8. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our

knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Klarna Bank AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 12-19 has been prepared in accordance with the Annual Accounts Act.

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

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

Ernst & Young AB, Hamngatan 26, 111 47 Stockholm, was appointed auditor of Klarna Bank AB (publ) by the general meeting of the shareholders on June 26, 2023 and has been the company's auditor since May 25, 2016.

Stockholm February 27, 2024

Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant

Klarna