

Third Quarter Results 2023

150m+

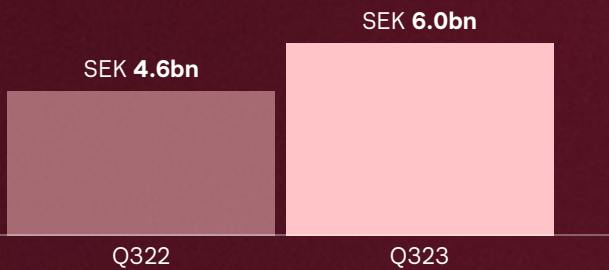
Global consumers

500k+

Global retail partners

Revenue

↑ 30%



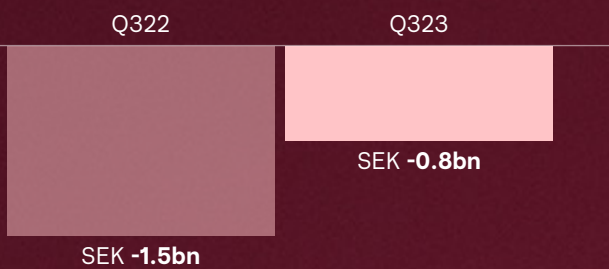
Improvement in Operating Result YoY

SEK 2.3bn



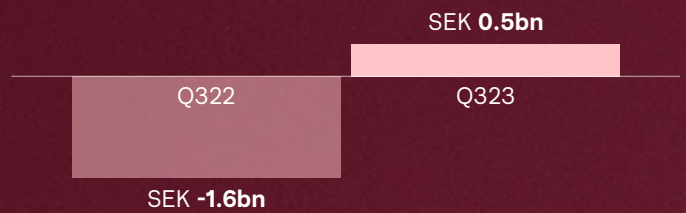
Credit losses

↓ 46%



Improvement in Adjusted Operating Result YoY ¹

SEK 2.0bn



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

“With a profitable quarter and continuous double digit growth, we have achieved exactly what we set out to do. This fantastic success sets us up for the busiest shopping period where our AI powered products will help consumers make their money go further, find the best deals, and get inspired. Our growth has accelerated in Q3 and we will build on this momentum in Q4 with further investments to drive value to our consumers and merchants alike.”

Sebastian Siemiatkowski, CEO and Co-Founder of Klarna

¹ Adjusted operating results are defined as IFRS operating results, excluding restructuring costs, share-based payments, related payroll taxes, depreciation and amortization

Klarna delivered a robust financial performance for Q323, reflecting the agility of our business model and the benefits of our strategic investment in global expansion over recent years.

| Amounts in SEKbn | FY 2022 | Q323 | Q223 | Q123 | Q422 | Q322 | Q3 YoY |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------------------|
| Gross merchandise volume | 837.3 | 242.8 | 238.6 | 210.7 | 242.0 | 199.0 | 22% |
| Klarna Holding income statement | | | | | | | |
| Revenue | 19.3 | 6.0 | 5.5 | 4.9 | 5.6 | 4.6 | 30% |
| Total net operating income | 16.7 | 5.4 | 4.8 | 4.4 | 5.0 | 4.1 | 31% |
| Total operating expenses before credit losses | -21.5 | -4.5 | -4.6 | -4.7 | -5.6 | -4.8 | -7% |
| (-) Restructuring costs and share-based payments (incl. payroll taxes) | -1.0 | 0.1 | -0.3 | -0.3 | -0.3 | -0.1 | n.m. ² |
| (-) Depreciation and amortization | -1.6 | -0.4 | -0.4 | -0.4 | -0.5 | -0.5 | -9% |
| Adjusted operating expenses before credit losses | -18.8 | -4.1 | -3.8 | -4.1 | -4.9 | -4.2 | -2% |
| Credit losses, net | -5.7 | -0.8 | -1.0 | -0.8 | -1.4 | -1.5 | -46% |
| Adjusted Operating Result (Non-IFRS) | -7.8 | 0.5 | 0.0 | -0.5 | -1.2 | -1.6 | n.m.² |
| Net result for the period | -10.4 | 0.1 | -0.9 | -1.3 | -1.9 | -2.2 | n.m. ² |
| Key ratios | | | | | | | |
| Take Rate (Revenue/GMV) | 2.31% | 2.47% | 2.31% | 2.35% | 2.33% | 2.31% | 7% |
| Credit loss rate | -0.68% | -0.33% | -0.41% | -0.37% | -0.58% | -0.74% | -56% |
| Adj. cost income ratio | -113% | -76% | -79% | -93% | -97% | -102% | -25% |
| Cost income ratio | -128% | -83% | -96% | -109% | -112% | -116% | -29% |

Financial Performance³

- Klarna achieved an operating profit (EBT) in Q323, marking a significant milestone in Klarna's financial journey. The operating result (EBT) for Q323 stood at SEK 130 million. On an adjusted⁴ basis the operating result was SEK 478 million.
- Revenue for the quarter increased by 30% year-on-year (YoY) to SEK 6 billion.
- Gross Merchandise Volume (GMV) rose by 22% YoY to SEK 243 billion, indicating an acceleration in GMV performance compared to the previous quarter.

² Metrics labeled as 'n.m.' ('not meaningful') arise when there are transitions between negative and positive values in the calculation of year-over-year percentage changes.

³ All financial performance figures relate to Klarna Holding AB.

⁴ Adjusted operating results are defined as IFRS operating results, excluding restructuring costs, share-based payments, related payroll taxes, depreciation and amortization. A reconciliation of adjusted operating result to IFRS operating result can be found on p8 of this report.

- Our credit loss performance improved by 46% YoY, reflecting improvements in the precision and accuracy of our models. Credit losses as a % of GMV reduced 56% YoY highlighting how Klarna continues to grow while making the right lending decisions for our consumers.
- The US achieved its fourth consecutive quarter of profit with GMV increasing 46% YoY.

Strategic Partnerships

- The global roll out of Klarna's partnership with Airbnb continues at pace, with consumers in seven countries now able to spread the cost of their trips worldwide. By early 2024, Klarna will roll out to Airbnb guests in additional countries across three continents.
- Zalando, one of Europe's largest fashion retailers, is another new partner bringing Klarna's sustainable payments products to even more consumers in France, Spain, and Italy.
- Klarna is also partnering with international fashion and design retailer YOOX across 11 global markets, including the US as well as adding more luxury brands including Valentino.
- Klarna's retailer network in the US and Canada continues to grow across multiple verticals including events and entertainment, luxury clothing and accessories. In the US, StubHub, Timex and Cole Haan recently joined Klarna's network of over a half a million retailers globally, while in Canada shoppers at Walmart can now take advantage of Klarna's flexible payments.

Product Innovation

- Klarna unveiled several [new ai-powered features as part of its Fall Spotlight initiative](#). The introduction of Klarna's Shopping Lens empowers users to capture images of desired items and instantly locate where to purchase them at the best deals through Klarna's app, using AI for a seamless shopping journey.
- The rollout of shoppable video enables consumers in more markets than ever to shop directly from curated video content based on their preferences in their personalized app feed. Furthermore, shoppers now have the flexibility to pay for gift cards from over 100 leading brands with Klarna.
- Klarna continued on its commitment to help consumers make the right decisions for them and the planet by introducing a suite of eco-conscious products including a revolutionary conscious shopping dashboard. This allows shoppers to monitor CO₂ emissions, engage with conscious brands, and utilize circular services like the novel resell feature, fostering more environmentally sound decisions.

Summary, Klarna Bank AB Group

Below are presented the financial statements for Klarna Bank AB

| Amounts in SEKm | 9 months overview | | | 3 months overview | |
|--|-------------------|----------------|----------------|-------------------|----------------|
| | Jan - Sep 2023 | Jan - Sep 2022 | Jul - Sep 2023 | Apr - Jun 2023 | Jul - Sep 2022 |
| Income statement | | | | | |
| Total net operating income | 14,318 | 11,534 | 5,305 | 4,728 | 4,057 |
| Operating result | -1,941 | -8,281 | 68 | -824 | -2,093 |
| Net result for the period | -2,089 | -8,362 | 90 | -908 | -2,128 |
| Balance sheet | | | | | |
| Loans to credit institutions | 3,320 | 5,767 | 3,320 | 3,690 | 5,767 |
| Loans to the public | 76,719 | 66,325 | 76,719 | 77,269 | 66,325 |
| All other assets | 50,058 | 46,284 | 50,058 | 40,294 | 46,284 |
| Total assets | 130,097 | 118,376 | 130,097 | 121,253 | 118,376 |
| Liabilities to credit institutions | 1,098 | 1,621 | 1,098 | 1,067 | 1,621 |
| Deposits from the public | 87,756 | 72,868 | 87,756 | 79,192 | 72,868 |
| All other liabilities | 27,404 | 32,315 | 27,404 | 27,189 | 32,315 |
| Total equity | 13,839 | 11,572 | 13,839 | 13,805 | 11,572 |
| Total liabilities and equity | 130,097 | 118,376 | 130,097 | 121,253 | 118,376 |
| Klarna Holding AB (publ) Consolidated | | | | | |
| Own funds (Total capital) ⁵ | 14,001 | 16,580 | 14,001 | 13,427 | 16,580 |
| Capital requirement ⁵ | 8,448 | 7,963 | 8,448 | 8,424 | 7,963 |
| Total capital ratio ⁵ | 21.3% | 26.0% | 21.3% | 19.9% | 26.0% |

⁵ 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.

Income Statement, Klarna Bank AB Group

| Amounts in SEKm | Jan - Sep 2023 | Jan - Sep 2022 | Jan - Dec 2022 |
|---|----------------|----------------|----------------|
| Interest income | 4,068 | 3,261 | 4,422 |
| Interest expenses | -2,047 | -763 | -1,162 |
| Net interest income | 2,021 | 2,498 | 3,260 |
| Commission income | 11,824 | 9,491 | 13,422 |
| Commission expenses | -701 | -495 | -724 |
| Net result from financial transactions | -155 | -946 | -1,026 |
| Other operating income | 1,329 | 986 | 1,639 |
| Total net operating income | 14,318 | 11,534 | 16,571 |
| General administrative expenses | -12,138 | -14,452 | -19,581 |
| Depreciation, amortization and impairment of intangible and tangible assets | -1,577 | -1,046 | -1,504 |
| Total operating expenses before credit losses | -13,715 | -15,498 | -21,085 |
| Operating result before credit losses, net | 603 | -3,964 | -4,514 |
| Credit losses, net | -2,544 | -4,317 | -5,717 |
| Operating result | -1,941 | -8,281 | -10,231 |
| Income tax | -148 | -81 | 27 |
| Net result for the period | -2,089 | -8,362 | -10,204 |

Balance Sheet, Klarna Bank AB Group

| Amounts in SEKm | 30 Sep 2023 | 31 Dec 2022 | 30 Sep 2022 |
|--|----------------|----------------|----------------|
| Assets | | | |
| Cash and balances with central banks | 19,761 | 16,085 | 11,066 |
| Treasury bills chargeable at central banks, etc. | 12,433 | 10,713 | 15,264 |
| Loans to credit institutions | 3,320 | 3,783 | 5,767 |
| Loans to the public | 76,719 | 74,151 | 66,325 |
| Bonds and other interest-bearing securities | 861 | 864 | 969 |
| Other shares and participations | 317 | 338 | 372 |
| Intangible assets | 11,613 | 11,644 | 10,964 |
| Tangible assets | 1,533 | 2,044 | 2,159 |
| Deferred tax assets | 369 | 395 | 406 |
| Other assets | 2,180 | 3,216 | 4,035 |
| Prepaid expenses and accrued income | 991 | 1,065 | 1,049 |
| Total assets | 130,097 | 124,298 | 118,376 |
| Liabilities | | | |
| Liabilities to credit institutions | 1,098 | 2,829 | 1,621 |
| Deposits from the public | 87,756 | 81,068 | 72,868 |
| Debt securities issued | 649 | 1,676 | 3,795 |
| Deferred tax liabilities | 853 | 912 | 848 |
| Other liabilities | 22,692 | 22,527 | 25,199 |
| Accrued expenses and prepaid income | 3,130 | 2,648 | 2,071 |
| Provisions | 80 | 112 | 100 |
| Subordinated liabilities | - | 303 | 302 |
| Total liabilities | 116,258 | 112,075 | 106,804 |
| Equity | | | |
| Share capital | 75 | 69 | 68 |
| Other capital contributed | 33,243 | 29,980 | 27,492 |
| Reserves | 759 | 422 | 443 |
| Additional Tier 1 instruments | 276 | 276 | 276 |
| Retained earnings | -18,425 | -8,320 | -8,345 |
| Net result for the period | -2,089 | -10,204 | -8,362 |
| Total equity | 13,839 | 12,223 | 11,572 |
| Total liabilities and equity | 130,097 | 124,298 | 118,376 |

Cash Flow Statement, condensed, Klarna Bank AB Group

| Amounts in SEKm | Jan - Sep 2023 | Jan - Sep 2022 | Jan - Dec 2022 |
|---|----------------|----------------|----------------|
| Cash flow from operating activities ^{6,7} | 8,533 | 7,418 | 10,385 |
| Cash flow from investing activities | -711 | -4,350 | -4,583 |
| Cash flow from financing activities | -301 | -5,279 | -7,482 |
| Cash flow for the period | 7,521 | -2,211 | -1,680 |
| Cash and cash equivalents at the beginning of the period | 17,724 | 18,702 | 18,702 |
| Cash flow for the period | 7,521 | -2,211 | -1,680 |
| Exchange rate diff. in cash and cash equivalents | 263 | 682 | 702 |
| Cash and cash equivalents at the end of the period | 25,508 | 17,173 | 17,724 |
| Cash and cash equivalents include the following items | | | |
| Cash and balances with central banks | 19,558 | 11,066 | 16,085 |
| Loans to credit institutions ⁸ | 1,951 | 3,232 | 1,639 |
| Treasury bills chargeable at central banks, etc. ⁷ | 3,999 | 2,875 | - |
| Cash and cash equivalents | 25,508 | 17,173 | 17,724 |
| Additional liquidity portfolio | 9,295 | 13,000 | 11,577 |
| Total cash and liquidity | 34,803 | 30,173 | 29,301 |

As a bank, cash flows from operating activities include the net of inflows and outflows from the bank's borrowing and lending activities, including deposits, and are not a simple reflection of a bank's net operating result for the period. In addition to cash and cash equivalents of SEK 25.5bn at the end of the period, Klarna holds SEK 9bn in treasury bills and bonds in an additional liquidity portfolio.

⁶ Cash flow from operating activities includes interest payments received and interest expenses paid.

⁷ Cash flow from operating activities for Jan-Sep 2022 has been restated to include central bank certificates of SEK 2.9bn which has been reclassified to Cash and Cash Equivalents given the highly liquid nature of the instruments.

⁸ Adjusted for non-cash items.

Reconciliation of alternative performance measures

Klarna uses certain alternative performance measures of financial performance. These include adjusted operating results. Klarna believes these are an important measure of performance as it reflects underlying business activity and performance, including growing revenue and managing expenses since it excludes items that are generally not a function of the company's underlying operating performance. Klarna believes Revenue is the best indicator of how much value we are sustainably generating from our business and that this approach is in-line with our peers.

Reconciliation of IFRS Operating results to Adjusted Operating Results

| Amounts in SEKm | FY 2022 | FY 2021 | Q323 | Q223 | Q123 | Q422 | Q322 | Q222 |
|--|----------------|---------------|------------|-------------|---------------|---------------|---------------|---------------|
| Klarna Holding IFRS Operating Results | -10,470 | -6,595 | 130 | -775 | -1,152 | -2,000 | -2,123 | -3,748 |
| (-) Share-based payments (incl. payroll taxes) | 523 | 622 | 102 | 135 | 104 | 123 | 76 | 151 |
| (-) Depreciation and amortization | 1,639 | 746 | 443 | 436 | 414 | 476 | 487 | 410 |
| (-) Restructuring & other costs ⁹ | 501 | 6 | -197 | 213 | 166 | 170 | 0 | 331 |
| (=) Adjusted Operating Results | -7,808 | -5,220 | 478 | 10 | -468 | -1,230 | -1,560 | -2,856 |

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

Reconciliation of Revenue to IFRS Total net operating income

| Amounts in SEKm | FY 2021 | FY 2022 | Q323 | Q223 | Q123 | Q422 | Q322 | Q222 |
|--|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Operating Income | 13,948 | 16,707 | 5,377 | 4,796 | 4,359 | 5,049 | 4,112 | 3,973 |
| Commission Expenses | 710 | 724 | 253 | 226 | 222 | 230 | 211 | 108 |
| Net result from financial transactions | 670 | 1,053 | -99 | 144 | 112 | 108 | 65 | 453 |
| Interest Expenses | 666 | 1,050 | 768 | 577 | 481 | 346 | 255 | 221 |
| Interest income from credit inst.& Other | -64 | -192 | -306 | -234 | -225 | -88 | -45 | -29 |
| Revenue | 15,929 | 19,343 | 5,993 | 5,509 | 4,949 | 5,645 | 4,597 | 4,726 |

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

⁹ Restructuring and other costs includes costs associated with restructuring of leased office space in prior quarters and in Q323 the effect of an early redemption of convertible notes.