

# Annual Report 2023



**Klarna**

Klarna Holding AB (publ). Organization no. 556676-2356



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# Financial information

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

**Strong performance of the business over the year has delivered:**

<p><b>22%</b> Revenue YoY growth FY23</p>	<p>SEK <b>23.5B</b> Revenue FY23</p>
<p><b>17%</b> Gross merchandise volume <sup>1</sup> YoY growth FY23</p>	<p>SEK <b>981B</b> Gross merchandise volume (GMV) FY23</p>
<p><b>60%</b> Gross Profit YoY growth FY23</p>	<p>SEK <b>11.7B</b> Gross profit FY23</p>
<p><b>95%</b> Adjusted operating result <sup>2</sup> improvement YoY FY23</p>	<p><b>0.38%</b> Consumer credit loss rate <sup>3</sup> FY23</p>

<sup>1</sup> Total monetary value of products and services sold through the Klarna network over a given period of time.  
<sup>2</sup> 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.  
<sup>3</sup> Consumer credit losses as a % of Gross merchandise volume (GMV).

## Financial Results - Klarna Holding

Amounts in SEK M	FY23	FY22	FY23 YoY
<b>Gross merchandise volume</b>	<b>980,892</b>	<b>837,285</b>	<b>17%</b>
Transaction and service revenue	19,798	15,403	29%
Interest income from operating activities	3,707	3,934	(6)%
<b>Total revenue</b>	<b>23,504</b>	<b>19,336</b>	<b>22%</b>
Processing and servicing	(5,700)	(5,165)	10%
Consumer credit losses	(3,766)	(5,563)	(32)%
Funding costs	(2,356)	(1,327)	78%
<b>Transaction costs</b>	<b>(11,822)</b>	<b>(12,055)</b>	<b>(2)%</b>
<b>Gross profit</b>	<b>11,682</b>	<b>7,281</b>	<b>60%</b>
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
<b>Operating expenses</b>	<b>(14,887)</b>	<b>(17,755)</b>	<b>(16)%</b>
<b>Operating result</b>	<b>(3,204)</b>	<b>(10,474)</b>	<b>69%</b>
Restructuring costs	665	501	33%
Share-based payments	462	523	(12)%
Depreciation and amortization	1,699	1,639	4%
<b>Adjusted operating result</b>	<b>(378)</b>	<b>(7,811)</b>	<b>95%</b>
Income tax	665	34	1,856%
<b>Net result for the period</b>	<b>(2,539)</b>	<b>(10,440)</b>	<b>76%</b>
<b>Key ratios</b>			
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<sup>1</sup> by almost 7 times!

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.

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

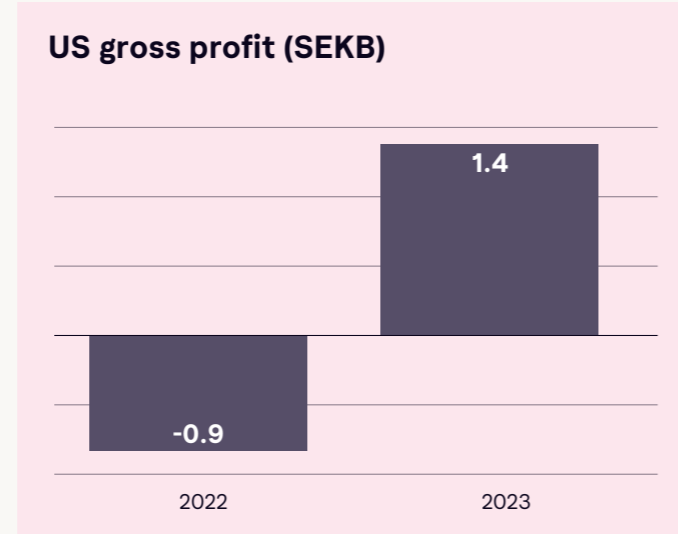
While we continue on our journey to long-term profitability, we made a conscious decision to invest in growth in the peak shopping season of Q4. We will continue to invest wisely for growth and focus on being cost-effective on our path towards annual profitability.

## First full year of US gross profit

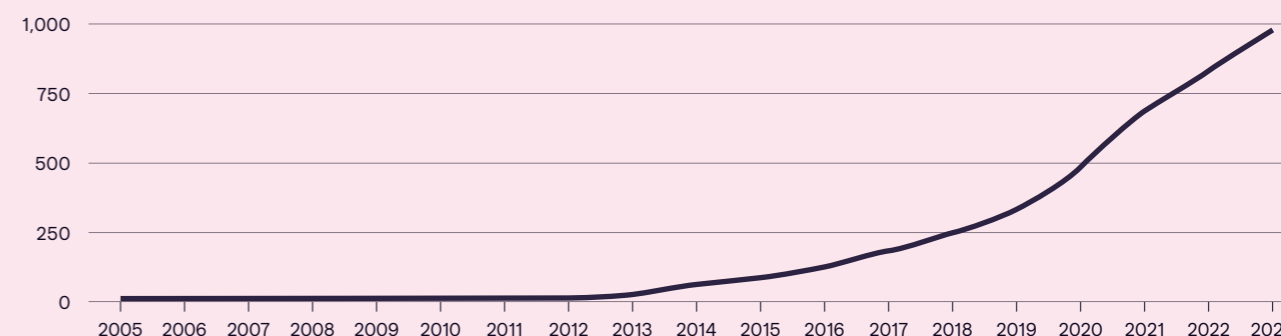
It's also the first year we turned the US market to gross profit, and not only did we do that, we made gains quarter on quarter, delivering SEK 1.4B in gross profit terms in FY23.

We are growing GMV an incredible 40 times faster than US digital commerce growth<sup>4</sup>.

<sup>1</sup> Salesforce Shopping Index



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 Smooth 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

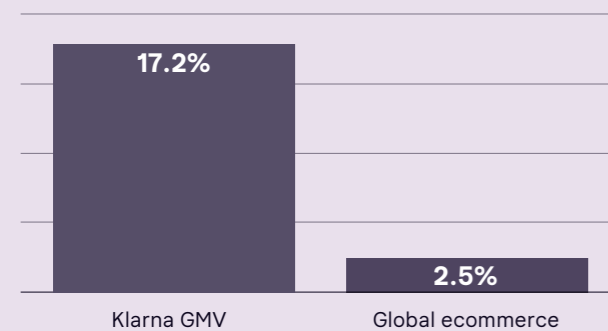
2023 has served as a definitive testament to the agility of our business model. We executed our strategy, fostering sustainable growth, a significant increase in gross profit margin, and substantial efficiencies. This was achieved at the same time as implementing generative AI across the company, which 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 p70.

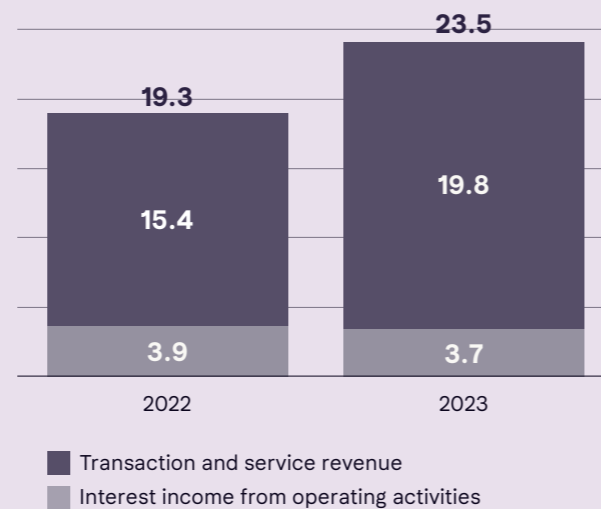
In 2023 we grew GMV almost 7 times faster than global digital commerce<sup>1</sup> with GMV increasing 17% YoY. In the US, we are outperforming digital commerce by 40 times. We're gaining increased value from that volume, with global revenue increasing 22% YoY, largely driven by our fee-based transaction 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)



<sup>1</sup> Salesforce Shopping Index

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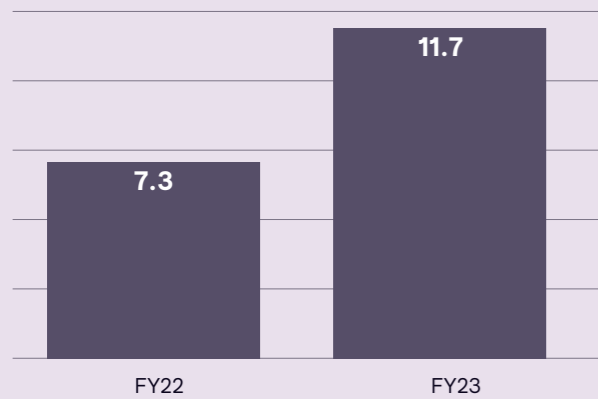
This year we have maintained strong control of our direct cost base despite inflationary and interest rate pressures, with transaction costs as a whole declining 2% YoY in FY23. Within transaction costs, processing and servicing fees increased 10% largely due to the associated increase in volumes but 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

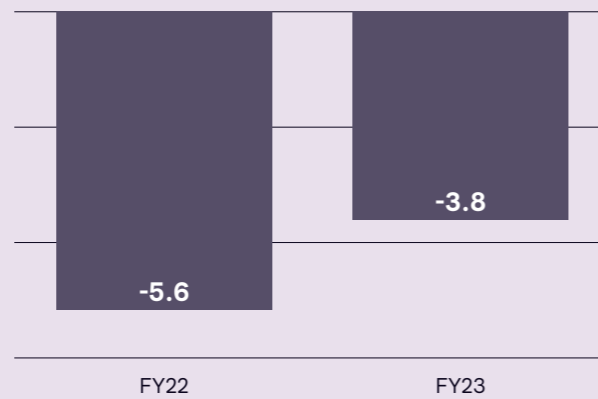
portfolio of 40 days. This means we can manage short term interest rate changes over a longer period, effectively mitigating the impact of sudden market shifts. This has also allowed us to continue to maintain very low funding costs, representing just 10% of revenue and under 9% of our total cost base, 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%.

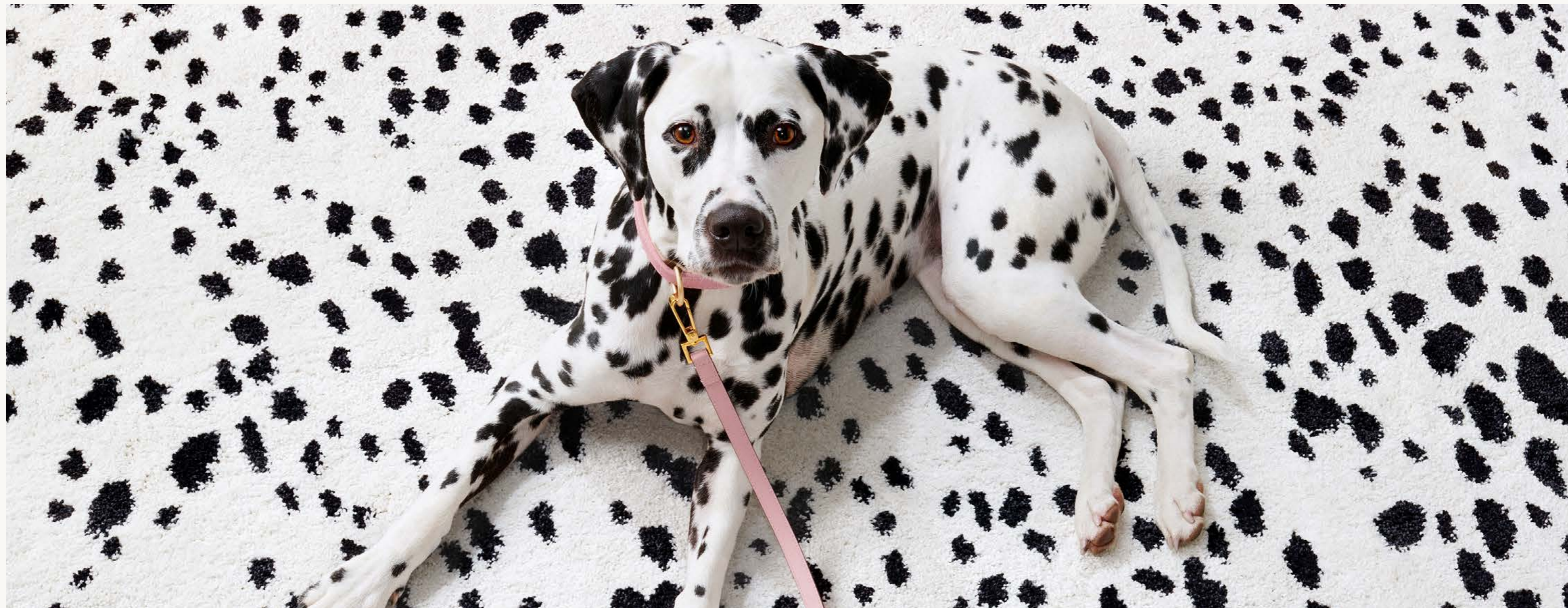
Overall our investments over the past 3 years have allowed us to scale the business and solidify our network across all the markets. With our key US growth market now delivering gross profits, 98% of our GMV in 2023 is generating a gross profit, allowing us to deliver a 50% gross margin. With our continued 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 CEO of Klarna Holding AB (publ) hereby submits the report for the period January 1 – December 31, 2023. This report presents the financial statements for Klarna Holding AB (publ) and consolidated financial statements for the company and and

its subsidiaries as well as the ESG and corporate governance reports. 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<sup>1</sup> 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 20.6B in FY23 (FY22: SEK 16.7B). Revenue increased 22% to SEK 23.5B (FY22: SEK 19.3B) over the same period.

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: 4.1B) at a significantly slower pace than revenue and total net operating income. Interest expenses represent just 12% of total operating expenses increasing to SEK 2.9BM (FY22: SEK 1.1B) 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.

### Operating expenses

Total operating expenses before credit losses have decreased by 8% YoY to SEK 19.8B (FY22: SEK 21.5B) 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's operating result for the period was SEK -3.2B (FY22: SEK -10.5B), a 69% YoY improvement. On an adjusted basis the improvement was 95%. Net result for the period improved 76% to SEK -2.5B (FY22: SEK -10.4B)

### 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, meaning 92% 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 Holding AB is 16.2%.

## 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.

<sup>1</sup> Salesforce Shopping Index

## Interactions with regulators

In Germany, Klarna has actively engaged with national policymakers and regulators, including government officials and members of parliament and the German Bundesbank, on the revised EU consumer credit directive and the latest EU payments package.

In the US, Klarna has continued to work positively with the Consumer Financial Protection Bureau, although in 2023 it seems their focus has shifted a bit more to peer to peer payments, digital wallets, data brokers, and nonbanks broadly. We continue to actively engage with the Biden Administration and Congress to push for proportionate regulation of BNPL and benefits of AI in financial services.

In Sweden, Klarna responded to the inquiry into over-indebtedness, which was published in June. The inquiry highlighted the pervasive issues contributing to increasing levels of consumer indebtedness in Sweden along with some proposed remedial measures. Klarna supports many of these measures, such as a lowering of the current interest rate cap and the introduction of a new national debt register.

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 actively engaged on the topic with relevant stakeholders, issuing a number of comments on the Payment Service Directive 3, Payment Regulation 1 and Financial Data Access package which are expected to be negotiated throughout 2024 and 2025.

In the Netherlands, Klarna, together with other BNPL providers and in alignment with the Dutch government, finalized their work on self-regulation to raise industry-wide consumer protections by issuing the first-European BNPL Code of Conduct in October 2023. The Code includes agreements around clear information provision, protecting vulnerable consumers, avoiding loan-stacking, and clear rules for excluding minors and was welcomed by the Government, supervisor and industry alike. This is a first step ahead of regulation for the sector expected as part of the implementation of the European Consumer Credit Directive (CCD) in 2026.

In the UK, Klarna's UK entity - Klarna Financial Services UK (KFSUK) was given authorisation by the Financial Conduct Authority to provide credit and payment services.

In November 2023, a meeting was held with the Supervisory College, comprising members from SFSA, Bafin, Deutsche Bundesbank, FCA, AFM, and NO-FSA, with the Group Management team of Klarna. This meeting aimed to discuss key elements of Klarna's business operations, focusing on areas such as AI, Sustainability, Consumer Protection, Credit Underwriting, Financial Performance, and Cybersecurity.

## Significant events

- During January and February 2023, an additional 31,383 Klarna Holding shares were issued as part of the funding round announced in July 2022.
- On 23 February 2023, Klarna Holding AB subscribed for 7,272,875 newly issued shares in Klarna Bank AB as part of an internal allocation of funds.
- On 6 March 2023, Klarna Holding AB subscribed for 3,632,006 newly issued shares in Klarna Bank AB as part of an internal allocation of funds.
- On 16 May 2023, Klarna Holding AB issued SEK 500M floating rate Tier 2 notes.
- On 16 August 2023, Klarna Holding AB issued SEK 250M Tier 2 notes.
- On 12 October 2023, Klarna Holding AB subscribed for 7,264,011 newly issued shares in Klarna Bank AB as part of an internal allocation of funds.
- On 15 November 2023, Klarna Holding AB redeemed EUR 25M notes.

## Significant events after the period

- On 1 February Klarna Holding AB issued SEK 1.5B of Additional Tier 1 Capital Notes.

## 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 42,539,621,384 on Klarna Holding AB (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward.

Additional Tier 1 instruments	0 SEK
Retained earnings	42,357,491,149 SEK
Net result for the year	182,130,235 SEK
<b>Total</b>	<b>42,539,621,384 SEK</b>



# ESG Report 2023

# ESG Report contents



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# About the ESG Report

In accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559) chapter 7, 2§, in conjunction with the Annual Accounts Act (1995:1554) chapter 7, 31 b§ and chapter 6, 11§, implementing the EU Directive 2014/95, Klarna Holding AB (publ) is reporting its environmental, social, and governance strategies, progress, activities, and performance for the entire Group in its 2023 Annual Report and Accounts for the year ended 31 December 2023.

In deciding what content to cover in this report, we have considered the double materiality assessment we conducted in November 2021 and the Global Reporting Initiative (GRI) reporting standards.

The information and data contained in this report relate to activities carried out in the 2023 financial year, from January 1, 2023, to December 31, 2023, the same reporting period as the Annual Report and Accounts.

Unless otherwise noted, data is as of and for the year ended December 31, 2023.



# About Klarna

## Introduction

Klarna’s vision is to set the new standard for how people shop and pay. Since 2005, our customers have always been at the heart of how we build smart solutions for their needs. With around 150 million global consumers and 2.5 million transactions per day, Klarna’s fair, sustainable and AI-powered payment and shopping service empowers consumers to shop smarter with greater confidence and ease. More than 550,000 global retailers partner with Klarna to drive growth and loyalty, including H&M, Saks, Sephora, Macy’s, Ikea, Expedia Group, Nike and Airbnb. For more information, visit [Klarna.com](https://klarna.com).

We became the first fintech to join The Climate Pledge and Race to Zero campaign and make annual financial contributions to high-impact climate projects, including carbon removal, reforestation and forest protection, and emission reduction projects.

The information herein focuses on the pillars of environmental sustainability, social responsibility, and governance, which are all directly relevant to the integrity of Klarna’s business operations.

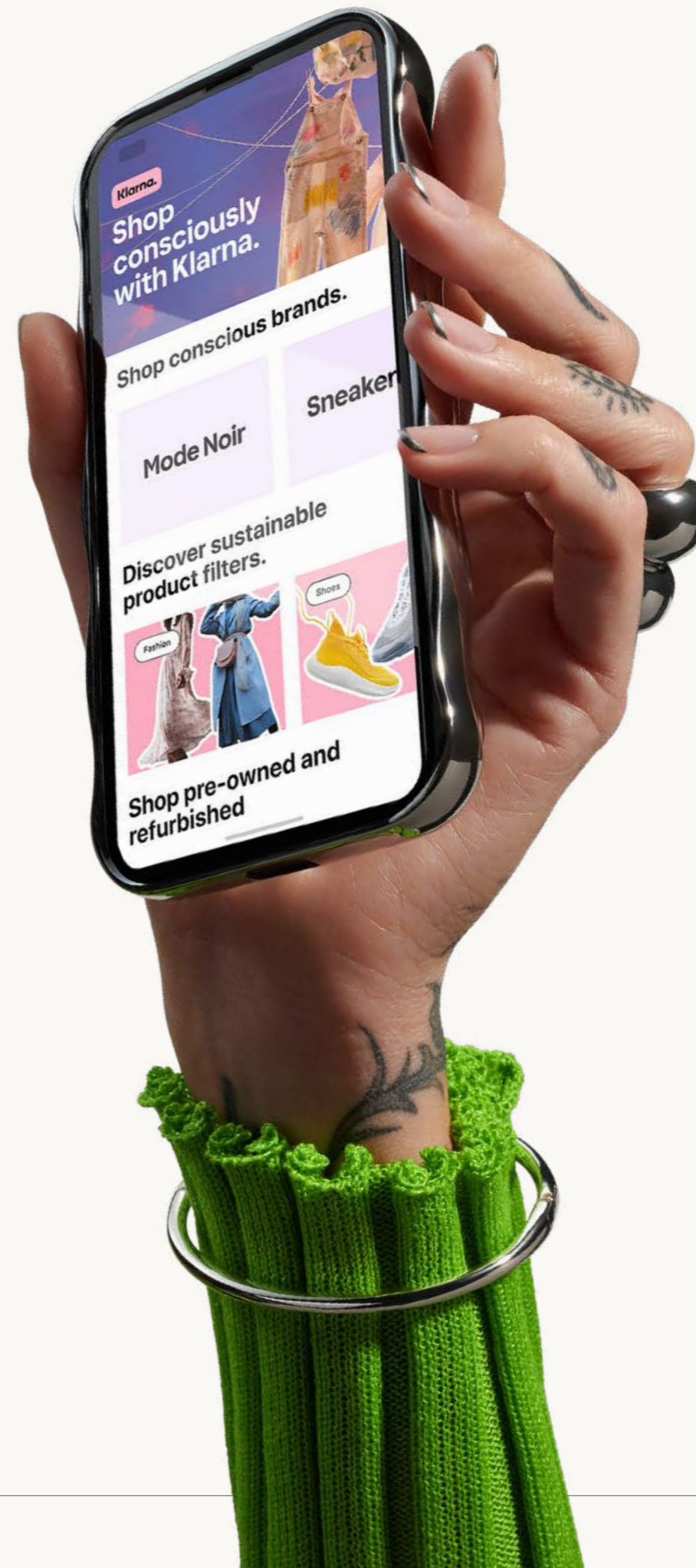
## Business model – value proposition to consumers

Klarna provides spending tools that are affordable, accessible and transparent. By supporting smart everyday money habits and discouraging predatory financial practices, Klarna sets the standard for more ethical, consumer-first services that empower a more inclusive society. As a player in the retail industry, we also have a role to play in driving environmental sustainability. With Klarna’s range of sustainability features, customers can make more informed and responsible shopping decisions.

The Klarna app, now available in 25 markets, powers an end to end shopping experience, helping consumers to manage their transactions and offering a smarter shopping experience. It gives people access to our payment products and ways to manage their payments, providing them with an overview of their finances and spending insights, a personalized shopping feed powered by AI, a

shopping lens to visually identify items and where to shop them by taking a picture and a search tool comparing thousands of retailer websites. Other features include shoppable videos, wishlist capability, a digital loyalty card wallet, exclusive deals and price drop notifications, friendly reminder push notifications, 24/7 customer service through chat, the option to snooze payments, delivery tracking, return reporting, CO<sub>2</sub>e tracking and the ability to resell items.

The in-app shopping feature makes it possible to use Klarna with all online retail partners who have not yet integrated with our powerful platform. Klarna’s browser extension enables consumers to shop with Klarna’s flexible payment options on their desktop at every online store, even if the retailer is not yet a Klarna partner. Klarna is also increasingly available in physical stores across markets and through the Klarna card.



**150M**  
Global consumers

**2.5M+**  
Transactions per day

**550K+**  
Global retail partners

**THE CLIMATE PLEDGE**  
**RACE TO ZERO**  
First fintech to join The Climate Pledge and Race to Zero

# The consumer journey\*



## Inspiration and discovery

### Discovery shopping feed

Powered by AI, gives consumers a feed of personalized product recommendations in the Klarna App to help them find and shop items most relevant to them. The feed updates in real time and becomes increasingly tailored, as it learns more about the user's preferences.

### Search and Compare

Powered by *PriceRunner technology* - a search tool in the Klarna App that compares thousands of retailer websites in real-time to help consumers find what they love for the best price.

### Shoppable Video

Offering shoppers an endless stream of curated video content in the Klarna App and the option to purchase any item directly via the video.

### Exclusive Deals

Offering shoppers curated exclusive deals and personalized shopping collections in the Klarna App that are updated daily.

### Browser extension

Offering shoppers flexible payment options on their desktop at every online store, even if the retailer is not yet a Klarna partner, and enabling coupons and cashback offers to be automatically added to purchases.

## At check-out

### Flexible, one-click payments

Providing maximal flexibility and transparency, whichever way consumers choose to pay online or in-store: pay now, pay later or pay over time.

### Klarna Card

Bringing Klarna's flexible, interest-free payment methods into a physical card, empowering consumers to pay how they like everywhere they go.

### Loyalty Cards

Enabling consumers to store their physical loyalty cards as digital versions in one place.

### Automatic Coupons

Automatically applying the best coupons for consumers at checkout ensuring they get the best possible deal.

### Top Up Donations

Allows shoppers to add a \$1 donation to select purchases, supporting planet health initiatives with a focus on climate, people and biodiversity.

## Post-purchase

### Delivery tracking & Returns

Providing consumers with an overview of the status of their active deliveries, no matter if the purchase was made with Klarna or not.

### CO<sub>2</sub>e Emissions Tracker

Giving consumers insights into the CO<sub>2</sub>e impact of their purchases, displaying the estimated emissions set free for every step of the product's lifecycle.

### Klarna Rewards Club

Members earn "points" for every payment they make on time with Klarna, no matter whether they pay now, pay later or pay over time, which can be redeemed in the Klarna App for rewards at world-class brands.

### Resell

Enabling consumers to speed up the process of creating listings on secondhand marketplaces by pre-filling product details and images in the Klarna app.

## Managing personal finances

### Klarna Bank Account

Offering consumers a free bank account with which they can handle their finances intuitively with instant account top-ups, real-time transfers to their friends, fixed term deposits with highly competitive interest rates, no fees for spending abroad, and two free ATM withdrawals every month.

### Pools

Helping consumers to organize their savings goals with up to 3 free sub-accounts in the Klarna Bank Account, for which they can set a target amount and a time horizon to start saving and stay saving.

### Budgeting

Helping consumers to set a monthly allowance for themselves to control how much they spend with Klarna.

### Categorization

Helping consumers understand exactly where their money goes and to make more conscious spending decisions by automatically organizing purchases made with Klarna into product categories.

### Monthly spending breakdown

Helping consumers track their spending levels month over month and compare them to their average spending via an intuitive and interactive bar chart.

\* Availability of features varies by country.



## Value proposition to retailers and partners

Klarna is a preferred growth partner for more than 550,000 retailers of all sizes worldwide. We engage new and existing consumers across the shopping journey and connect them directly to retailers to drive growth as a viable and competitive alternative to global marketplaces.

We also create new and innovative ways for retailers to connect to consumers through content creation partnerships, dynamic search advertising and virtual shopping. We ensure that our retailer partners can reduce working capital requirements by providing

simple, safe payment solutions and consumer credit products across all e-commerce platforms and in physical stores. Klarna's offering includes advertising, marketing, technology, credit risk handling, customer services, administration, and deep consumer insights.

With Klarna, retail partners receive easy integration with global access and onboarding to a fast and friction-free checkout solution where they are paid upfront, meaning they can focus on what they do best. Klarna assumes credit risks for both the consumer and the retailer.

## Solutions for retailers



### Express Checkout

Helping retailers to boost conversion and provide shoppers with a faster checkout by adding the Express button to their cart page. With pre-filled data for all Klarna shoppers, retailers can offer greater convenience and reduce cart abandonment, even if consumers visit their site for the first time.



### Ads Manager

A self-service advertising platform for retailers which harnesses Klarna's first-party data so retailers can reach the right shopper at the right time, while ensuring consumers enjoy a more relevant shopping experience.



### Customer Relationship Management (CRM) Campaigns

Highlighting branded content to our shoppers through various channels in Klarna's ecosystem to drive incremental traffic to our brand partners.



### Klarna Creator Platform

Helping retailers to find creators best suited to their brand and enabling seamless collaboration through instant messaging, gifting, and commission setting.



### Ads and sponsored content

Helping retailers by highlighting deals, individual products, and even collections of 20 or more products to segmented audiences in the Klarna App. We help with the design of creatives and provide detailed analysis and insights on campaign performance.

## Klarna's Open Banking Platform for retailers and partners

Klarna's world-leading Open Banking platform provides simple access to more banks than any other Open Banking provider globally, building on all of Klarna's ecommerce expertise to offer a suite of open banking products and solutions.

Klarna's Open Banking platform rapidly reduces the time for new fintech services to reach global scale while providing the essential building blocks for innovation in financial services - from payments and account insights to identification. It equips financial institutions, fintechs, and retailers with the essential connectivity to build the next generation of fintech apps and services by providing simple and secure access to over 11,500 financial institutions in 26 countries around the world through a single API.

Our Open Banking platform enables simple and secure access to over

**11.5K financial institutions in 26 countries**

around the world through a single API. Today, our Open Banking platform processes close to

**1B information requests** to bank accounts each year.



## Maintaining our high level of trust

Our success to date is the result of the high degree of trust we have built with consumers, retailers, and partners in all markets. This trust is critical in the financial sector and when handling personal data. Maintaining that trust requires us to operate with the highest ethical standards and strive to do what's right every day.

Such standards are upheld across all parts of the business - from handling sensitive personal data to a robust corporate governance framework and ensuring all employees are treated with respect in a secure and welcoming working environment.

# A global presence

Klarna has 45 offices in 27 countries with its largest office in central Stockholm, Sweden. To ensure flexibility and speed, our overall office strategy is shifting to an increased proportion of flexible office space.

All new offices with less than 200 workstations are serviced by coworking partners.

## North America

### USA

- Austin, TX □
- Columbus, OH ■
- Los Angeles, CA □
- Las Vegas, NV □
- New York, NY □
- Portland, OR □
- San Francisco, CA □

### Canada

- Montreal □\*
- Toronto □

### Mexico

- Mexico City □

## Europe

### Austria

- Vienna □

### Belgium

- Brussels □

### Czech Republic

- Prague □

### Denmark

- Copenhagen □
- Nykøbing ■

### Finland

- Helsinki ■

### France

- Paris □

### Germany

- Berlin ■
- Cologne □
- Giessen ■
- Mannheim □
- Munich □

### Greece

- Athens □

### Ireland

- Dublin □

### Italy

- Milan □

### Netherlands

- Amsterdam □

### Norway

- Oslo □

### Poland

- Warsaw □
- Wroclaw □

### Portugal

- Lisbon □

### Romania

- Bucharest □\*

### Spain

- Barcelona □
- Madrid □

### Sweden

- Gothenburg □
- Stockholm ■
- Uppsala □

### Switzerland

- Zurich □

### UK

- London □
- Manchester □

## Asia

### China

- Shanghai □
- Shenzen □

### Japan

- Tokyo □

### South Korea

- Seoul □

## Oceania

### Australia

- Sydney □

### New Zealand

- Auckland □

- Conventional Office
- Coworking Office
- \* New in 2023





# Sustainability

# Sustainability at Klarna

As Klarna grows, so does our responsibility to our stakeholders, society and the planet. We recognize our impact on global ESG issues, such as climate change, human rights and combating financial crime, and their effect on our business.

We are tackling climate change by finding innovative ways to make a systemic impact. The intention is for this impact to go beyond our own company and into broader society.

We are tackling climate change by reducing our own greenhouse gas emissions and addressing biodiversity loss through our planet health initiatives. While we do not have complete control over climate issues in our value chain, we support our consumers in finding retailers having made real efforts to reduce their negative environmental impact, and engage with our

suppliers on how they can reduce their footprint, to name a few.

We have a direct impact on society by, for example, offering fair, transparent and sustainable payments for consumers, having measures in place to prevent financial crime such as fraud, bribery and corruption or money laundering, ensuring an inclusive and empowering environment for Klarnauts (Klarna employees), and actively engaging in the communities where we have a presence.

Klarna has corporate and sustainability governance procedures in place to gain and maintain the trust of all our stakeholders. We believe that good corporate governance is ensured by running a business responsibly, efficiently and as sustainably as possible.

## Recognition

This year Klarna was named as the Most Sustainable Bank in Sweden by the 2023 Sustainable Brand Index.



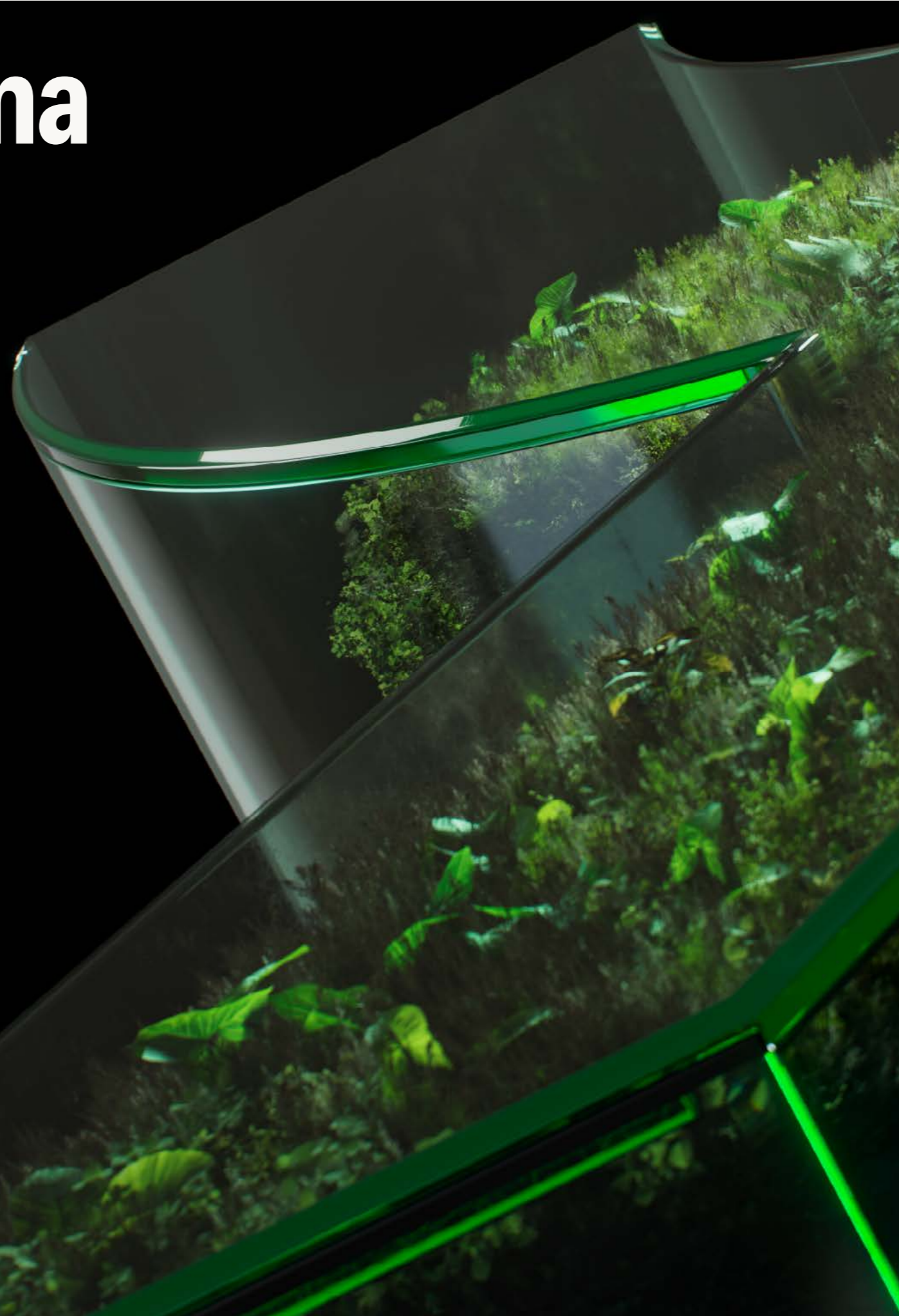
In addition, we:

- won the Most Disruptive Global Climate Action Initiative in the CSR Excellence Awards 2023, run by The Business Concept;
- secured a finalist spot in the Reuters Responsible Business Awards in the Net Zero Transition Award category for our climate action approach;



and

- won the Plus x Award in the categories Future Proof and Strategy.



# Materiality assessment

With the support of independent experts, we conducted our first materiality assessment at the end of 2021.

We applied a double materiality methodology<sup>1</sup> and considered the impact of Klarna's business on global ESG issues and the impact of such issues on Klarna, e.g., climate change and labor rights. As part of the assessment, we conducted qualitative interviews

with 15 internal and external stakeholders, a consumer survey in four markets with close to 3,000 respondents, a global employee survey, and internal workshops to analyze and prioritize the results.

As a result of the materiality assessment, three priority areas and five focus areas with greater business relevance and impact on the planet and society were identified:

## Priority topics (material topics):



**Climate change**  
Mitigating climate change impact by reducing greenhouse gas (GHG) emissions connected with online shopping.



**Financial wellness<sup>2</sup>**  
Educating consumers about responsible spending, managing personal finances, providing transparency of expenses and payables, and fostering access to new payment solutions and financial products.



**Data security & privacy**  
Ensuring that personal data is stored and used securely, compliant, and responsibly. Fostering cyber security to ensure undisrupted processes, service quality, and countering cyber-attacks.

## Other impact areas:

- Circular economy
- Personal data empowerment
- Diversity, inclusion and equity
- Employee welfare, health, and safety
- Natural resources and biodiversity

The deep understanding we gained from the assessment results reflected our existing ESG focus areas of Climate Action, Financial Wellness, and Diversity and Inclusion and our business focus on data security and privacy. It also identified new areas where we should develop strategic actions, such as the circular economy, which we embedded in our sustainability approach and have developed further during 2023.

We have highlighted the material topics where they are covered in this report.



Materiality matrix with 50/50 weighting for internal stakeholders (employees, executives) and external stakeholders (consumers, investors, NGOs, regulators, retail partners).

<sup>1</sup> The methodology used in our 2021 Double Materiality Assessment predated the requirements for a double materiality assessment set out in the Corporate Sustainability Reporting Directive 2022/2464/EU (the CSRD). In Q4 2023 we started updating our Double Materiality Assessment to align with the requirements of the CSRD.  
<sup>2</sup> Financial Wellness was covered in the materiality assessment by the two topics Financial Stability & Literacy, and Financial Inclusion & Accessibility.

# ESG risk assessment

## 2023 ESG risk assessment

At Klarna, one of our aims is to achieve sustainable business success by proactively addressing ESG factors. We recognize that these factors play a critical role in ensuring our business remains resilient amidst fast evolving economic and competitive landscapes. Our commitment to ESG is

deeply integrated in our Risk Control Management approach, as we understand ESG risk as a potential business risk that can impact our ability to achieve our strategic goals and as a driver of other risks across the business.

## Understanding ESG risks

To gain a comprehensive understanding of ESG factors, we conduct an annual ESG risk assessment. This assessment builds upon the work of our central Sustainability team. This process integrates

forward-looking insights regarding upcoming regulations, guidelines, and protocols. Notably, it considers the Task Force on Climate-related Financial Disclosures (TCFD) (see Appendix).

## Our key ESG risk themes

Based on our extensive research and input from over 24 stakeholders, including discussions with more than 20 teams during workshops, we've identified five primary ESG themes for the period 2022-2023 including their risk areas:

### ■ Climate Change

The risk that transitional or physical factors impact our business model, regulatory compliance, operations, or credit risk exposures to consumers or partners resulting in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through proactive product design, engaging in climate change research assessments, consumer engagement, and regulatory intelligence scanning.

### ■ Modern slavery and human rights

The risk that Klarna or its supply chain does not appropriately manage modern slavery risks that result in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through supply chain due diligence processes and people processes.

### ■ Diversity, inclusion and equity

The risk that Klarna or its supply chain does not implement sufficient diversity and inclusion approaches that result in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through people processes.

### ■ Data privacy and security

The risk that Klarna's information is not managed and secured in an appropriate way resulting in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed via modern technology and security systems supported by specialist engineering experts.

### ■ Financial wellness

The risk of Klarna's action, or lack of action, leads to poor outcomes for customers and legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through specialist product and consumer servicing design.

This structured ESG risk assessment ensures that Klarna is well-prepared to address significant ESG risks while remaining compliant with regulatory changes. The comprehensive methodology and our commitment to sustainability further enhance our associated ESG risk routines. This approach allows us to respond effectively to stakeholder inquiries and explore new ESG projects to enhance our positive contribution to the society.

The results of the 2022-2023 ESG risk assessment were summarized in a report that identifies the prioritized risks and associated mitigation actions, the timeline for their implementation, and the key risk owners. The list of risks and actions has been integrated into Klarna's risk monitoring system to ensure effective tracking of progress. As an example of these actions, we recently completed a quantitative analysis focused on Climate Change risk.

This analysis aimed to further assess the potential long-term impacts of various climate-related scenarios on our business. The insights gained from this analysis are enabling us to increase our understanding to consider additional initiatives. Our approach to this analysis aligns with international methodologies like the one provided by Network for Greening the Financial System (NGFS).

# Sustainability approach

Klarna’s sustainability approach is twofold: addressing sustainability within our own operations and having an impact beyond them. Within our operations, we actively work towards reducing our carbon footprint and mitigating biodiversity loss. We combat financial crime while prioritizing cybersecurity and data

protection. Moreover, we promote financial wellness and diversity and inclusion, all informed by our materiality assessment. However, our commitment extends beyond our operations. We aim to empower consumers by providing them with unbiased information to make smart, informed and responsible

purchasing decisions for example through our in-app CO2e tracker. Further, our efforts to drive sustainable credit practices, such as removing revolving credit and unnecessary fees and offering flexible payment times, assist consumers in paying on time through friendly reminders.

Beyond our continuous efforts to make our operations more sustainable, we have defined six priority areas where Klarna can really make a difference. These are:



## Financial wellness

Klarna aims to help consumers save time and money and reduce worry, empowering them to make informed decisions and take control of their finances. From spending overviews to in-app budgeting tools, Klarna products offer flexibility with a choice of ways to pay, including delaying payment or spreading the cost with no fees or interest over a short period of time.



## Diversity, inclusion and equity

Klarna believes that diversity and inclusion are key factors in the company’s continued success. Differences are respected and highly valued at Klarna, and we strive to provide everyone with an equal-opportunity workplace that promotes diversity, equity, and inclusion.



## Climate change

Klarna has opted to follow the **World Wildlife Fund (WWF) and Boston Consulting Group (BCG)** blueprint for corporate action on climate and nature. It guides how companies measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects.



## Vote with your wallet

We understand that not everyone has the same time, commitment or depth of understanding of the complex issues involved to make more sustainable decisions. But we do believe consumers can become empowered to make better-informed decisions with the right information presented at the right moment.



## Circular shopping

Klarna is uniquely positioned to help consumers maximize the use of products and to shop for pre-owned items. We incentivize consumers to participate in the circular economy by highlighting retail partners offering circular services, care and repair tips and options for reselling their Klarna-purchased products.



## Effortless donations

We have created several touchpoints in our ecosystem where Klarna consumers can donate to causes they care about. We believe that donations should go directly to the cause, choosing grassroots organizations to maximize the impact of each donation.

# ESG governance

The integration of ESG principles is fundamental to Klarna’s Strategic framework. Our Leadership team handles matters like flexible work, employee engagement, and inclusion. Our Risk Control team upholds stringent ESG risk measures, and our Sustainability teams spearhead measures to make our operations more sustainable and enables other teams to incorporate ESG issues to their work.

All ESG-related teams report to their respective members of the Group Management Team. For instance, the Sustainability teams are led by Klarna’s Sustainability Lead, who reports to the Chief Marketing Officer (CMO). The CMO holds overarching accountability for these programs

within the Group Management Team. The Group Management Team is formed of the Chief Executive Officer, 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 the Chief Credit Risk Officer.

At least once per quarter, the Group Management Team and Sustainability Lead assess and manage climate-related risks and opportunities alongside those relating to our other products, services, and operations. ESG risks form part of Klarna’s business risk reporting, which is presented to the Board on a quarterly basis.

## Governing documents

Klarna conducts its activities credibly and ethically and always strives to comply with applicable laws and business practices. It is not enough to simply follow the rules, and we actively seek to ensure that our actions are not harmful to others.

If illegal behavior or activity comes to light, we work closely with law enforcement authorities to ensure they receive all the information they need, to the extent permitted by bank secrecy laws.

### Klarna has the following ESG-related policies and practices:

- **Climate Commitment**

Klarna’s Climate Commitment outlines our climate action strategy, our efforts to reduce Klarna’s carbon footprint, and how we promote climate action beyond our own footprint to contribute to a more environmentally sustainable future. You can read about our climate commitments below, or find the Climate Commitment [here](#).

- **Anti-Money Laundering & Counter Terrorist Financing Policy**

Klarna’s Anti-Money Laundering & Counter Terrorist Financing Policy establishes standards and procedures to prevent Klarna’s products from being used for money laundering and terrorist financing, and to comply with all applicable regulatory requirements, as well as establish general responsibilities with regards to mitigating the risks associated with money laundering and terrorist financing.

- **Sanctions Policy**

Klarna’s Global Sanctions Policy sets standards and procedures to ensure Klarna and its employees conduct business in accordance with applicable sanctions laws and regulations, and mitigate potential compliance, regulatory and reputational risks associated with potential sanctions violations.

- **Data Privacy Policy**

Klarna’s Data Privacy Policy sets out a number of principles that, taken together, constitute Klarna’s approach to data privacy and serve as a foundation for all other data protection instructions, and routines, throughout the organization.

- **Global Work Environment Policy**

Klarna’s Global Work Environment Policy sets out a workplace where all employees contribute to creating and maintaining a healthy and safe work environment. It provides routines and descriptions for all work environment-related activities and provides all employees with knowledge and awareness of the applicable legislation, risks at the workplace, and how to contribute to a healthy environment.

- **Information Security Policy**

Klarna’s Information Security Policy defines the overall goals, roles, and responsibilities as it pertains to information security across the three lines of defense. It establishes an information security management system under which Klarna can manage its information security risks in a structured way that is suitable for our size and complexity.

- **Supplier Code of Conduct**

Klarna’s **Supplier Code of Conduct** sets forth the principles that we expect our suppliers and their subcontractors to abide by in their business relationship with Klarna and promotes lawful, professional, and fair practices that integrate respect for human rights, business ethics, and the environment.

- **Vulnerable Consumer Policy**

Klarna’s Vulnerable Consumer Policy ensures that we have internal rules and guidelines in place so that consumers are treated in a fair and consistent manner, as we are committed to providing the highest level of diligence and ethical treatment with regard to any consumer or potential consumer who may be identified as being vulnerable or being at risk for vulnerability.



■ **Code of Business Conduct**

Klarna’s Code of Business Conduct sets out the values that shape our behavior and guide us in how we conduct our business. It serves as a guide to our relationships with each other, our customers, partners, and other stakeholders.

■ **Compliance Policy**

Klarna’s Compliance Policy sets out the key principles for how Klarna ensures compliance with laws, regulations and internal governing documents, and describes activities and values to establish a sound risk culture and the main features of the Compliance Program.

■ **Conflict of Interest Policy**

Klarna’s Conflict of Interest Policy ensures that Klarna has appropriate and effective procedures for actively and continuously identifying, assessing, managing, or preventing actual and potential conflicts of interest that may arise in our day to day activities.

■ **Ethical Instructions for Partners**

Klarna has established clear ethical guidelines consisting of some general principles, to prevent our products and services from being used in unethical ways, which are: Unethical Business Methods and Practices (Klarna shall not cooperate with retailers that sell products or carry out services with means and methods that are misleading, deceptive, abusive, or unfair to customers, or otherwise unethical or illegal) and Unethical Products and Services (Klarna will not cooperate with retailers providing products or services that Klarna considers unethical under these guidelines in its sole discretion). The ethical guidelines apply contractually when onboarding new retailers, and are actively monitored to ensure compliance.

■ **Ethics Policy**

Klarna’s Ethics Policy describes our high ethical ambitions and clarifies and illustrates our ethical principles and standards.

■ **Internal Governance and Control Policy**

Klarna’s Policy on Internal Governance and Control establishes the principles for how Klarna shall implement and maintain Internal Governance and Control and sets the principles for risk management, compliance, and outsourcing.

■ **Whistleblowing Policy**

Klarna’s Whistleblowing Policy documents Klarna’s reporting mechanism for employees, consultants, outsourced partners and other third parties who wish to confidentially report any potential unethical, illegal, or improper conduct.

## Compliance training

Our employees play a crucial role in Klarna being a good corporate citizen by creating trust with stakeholders and complying with laws and regulations. All employees must complete mandatory Compliance training (e-learning), which requires annual recertification. Among

other things, the training covers Klarna’s Code of Business Conduct, whistleblowing, conflicts of interest, sanctions and, anti-money laundering, and countering terrorist financing. Additional tailored training for employees is provided based on the role and responsibilities.

Compliance training	2023	2022	2021
Completion rate of mandatory online compliance training <sup>3</sup> (% of total workforce)	86%	91%	90%

<sup>3</sup> The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).



# Stakeholder engagement

Stakeholder confidence in Klarna is a crucial part of our business and critical to our success. This trust and confidence are earned by acting responsibly by

offering protection and support to consumers and retail partners and meeting or exceeding society's expectations.

## Stakeholder groups

Maintaining and nurturing stakeholder relationships is key to driving ESG at Klarna. Continuous and transparent dialogue with our stakeholders increases our understanding of their priorities and

expectations. Our relationship with them helps us concentrate our efforts and resources towards progress on ESG topics.

Stakeholder group	Ways to engage interest groups
Consumers	Customer satisfaction surveys Self-service portal and app Customer support Dispute management Klarna's Consumer Council Social Media
Retail partners	Customer satisfaction surveys Self-service portal Retailer support
Employees	Workers Council (Germany) Work Environment Committee (Sweden) Unionen (Sweden) Finansförbundet (Sweden) Employee engagement surveys Open Slack culture Performance and development dialogue Leadership program Klarna's Marketing Academy Annual kick-off and monthly All-hands staff meetings Internal events Whistleblowing
Shareholders/investors	Personal meetings Answering investors' ESG questionnaires Participating in investors' ESG roundtables Results Calls Newsletters
Suppliers	Dialogue during the purchasing process
Regulators and supervisory authorities	Supervisory review and evaluation process Regulatory reporting Ongoing discussions Answering inquiries
NGOs	Community engagement activities
Tax authorities	Tax returns Information exchange in relation to account holders Constructive engagement regarding tax law changes
Politicians / Policymakers	Policy events Conference, hearings, & inquiry attendance Policy submissions Direct meetings Ongoing discussions Answering inquiries

# Environment



# Climate action

## MATERIAL TOPIC

### Klarna’s Approach to climate action

At Klarna, our approach to environmental sustainability includes diligently reducing our operational environmental footprint, participating in funding projects that drive environmental initiatives, and empowering consumers to adopt more sustainable shopping habits. Klarna’s climate action

approach is in line with the leadership practices set out in the **WWF and BCG Blueprint for Corporate Action on Climate and Nature**. We are committed to reducing our carbon emissions. Acknowledging the emissions yet to be mitigated, we’ve implemented an internal carbon tax which we use to finance impact-focused climate action.

### Reducing Klarna’s carbon footprint

To ensure a robust foundation for our climate action strategy, Klarna’s carbon footprint is calculated annually, following the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. As is common practice, we distinguish our emissions by three scopes:

■ **Scope 1:** Direct emissions from operations that are owned or controlled by Klarna, e.g., the on-site energy consumed through the heating of our offices.

■ **Scope 2:** Indirect emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by Klarna, e.g., the electricity used in our offices.

■ **Scope 3:** All indirect emissions (not included in scope 2) that occur in Klarna’s value chain, including both upstream and downstream emissions (e.g., employees’ business travel, energy used to operate cloud or marketing services).

### Our 2023 carbon footprint

Klarna’s overall 2023 absolute carbon footprint decreased by 25% compared to 2022. This was driven by emission reductions across nearly every emission category, with the exception of Business Travel.

Absolute scope 1 and 2 emissions decreased by 66% year-on-year. This was the result of a strategic shift to flexible office spaces and a corresponding consolidation of Klarna’s leased offices (shifting some emissions to scope 3), as well as significant improvements in data quality, such as the collection of primary data for Klarna’s two largest offices

in Stockholm and Berlin, and the continued procurement of renewable electricity across all Klarna offices.

Procurement-related emissions, which fall under the categories Purchased Goods and Services and Capital Goods and accounted for over 87% of Klarna’s overall carbon footprint, decreased by 26% year-on-year. This was the result of an overall businesswide efficiency drive that significantly reduced the volume of carbon-intensive goods and services Klarna purchased in 2023 even as revenue continued to grow.

Emissions from Business Travel increased by 19% year-on-year, primarily due to employee travel to Klarna’s first company-wide in-person meeting in Stockholm since 2019.

Overall carbon intensity was significantly reduced by 39% year-on-year to 4.7 tCO<sub>2</sub>e/mSEK of revenue. This puts Klarna on track to meet our 2030 target of reducing carbon intensity by 50% against a 2019 baseline of 7.0 tCO<sub>2</sub>e/mSEK.

### Key initiatives that have driven the decrease in our carbon footprint

- Significant reductions in our supply chain carbon footprint due to efficiency initiatives that have streamlined resource use across Klarna’s business.
- Ongoing commitment to the procurement of 100% renewable electricity for all Klarna offices.
- Improved data collection methods have increased the use of primary activity data in our carbon footprint calculations, leading to more accurate results.

GHG emission scope	2023	2022	2021	2020	2019
<b>Direct (Scope 1) GHG emissions (tCO<sub>2</sub>e)</b>	<b>67</b>	<b>281</b>	<b>279</b>	<b>341</b>	<b>234</b>
<b>Indirect (Scope 2) GHG emissions (tCO<sub>2</sub>e)</b>	<b>52</b>	<b>66</b>	<b>6</b>	<b>1,420</b>	<b>456</b>
<b>Other indirect (Scope 3) GHG emissions<sup>4</sup> (tCO<sub>2</sub>e)</b>	<b>109,824</b>	<b>146,928</b>	<b>152,995</b>	<b>100,752</b>	<b>55,732</b>
3.1 Purchased goods and services	96,616	128,571	145,028	95,871	47,431
3.2 Capital goods	21	2,471	3,245	1,830	1,805
3.3 Fuel and energy related activities	159	445	241	247	151
3.5 Waste generated in operations	152	718	0	103	424
3.6 Business travel	10,155	8,510	2,423	1,330	4,694
3.7 Employee commuting	2,616	5,833	1,385	1,119	1,172
3.8 Upstream leased assets	105	379	388	252	55
<b>Total GHG emissions (tCO<sub>2</sub>e)</b>	<b>109,943</b>	<b>147,275</b>	<b>152,710</b>	<b>102,513</b>	<b>56,422</b>
<b>GHG emissions intensity (tCO<sub>2</sub>e per SEK 1M revenue)</b>	<b>4.7</b>	<b>7.6</b>	<b>9.6</b>	<b>9.3</b>	<b>7.0</b>
<b>Change in absolute GHG emissions YoY (%)</b>	<b>-25%</b>	<b>-3.7%</b>	<b>+49%</b>	<b>+87%</b>	<b>-</b>

<sup>4</sup> The breakdown of scope 3 emissions provides an overview of all scope 3 categories that are relevant to Klarna in line with reporting requirements under the GHG Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. Categories not listed here are not relevant.

## Our emission reduction targets and initiatives

We have set several milestone targets to guide us on our journey to becoming a net zero business.

Target	Progress 2023	Progress 2022	Progress 2021
<p><b>By 2025, all our offices will run on 100% renewable electricity.</b></p> <p><b>We will:</b></p> <ul style="list-style-type: none"> <li>■ Procure certified green electricity tariffs where this option is available</li> <li>■ Purchase energy attribute certificates to fill any gaps</li> </ul>	<p>All of Klarna’s offices use 100% renewable electricity since 2022, meeting our target three years early.</p>	<p>All our offices use 100% renewable electricity.</p>	<p>Majority of our leased offices switched to renewable electricity, with 12 of 15 leased offices running on renewable electricity.</p>
<p><b>By 2030, we will reduce our revenue-based carbon intensity by 50% across scope 1, 2 and 3 from a 2019 baseline.<sup>5</sup></b></p> <p><b>We will:</b></p> <ul style="list-style-type: none"> <li>■ Continue to use 100% renewable electricity across global Klarna offices</li> <li>■ Encourage our suppliers to measure and reduce their emissions</li> <li>■ Work to establish a zero-carbon cloud infrastructure</li> <li>■ Continue to reduce emissions from business travel</li> <li>■ Explore innovative reduction opportunities for our upstream emissions</li> </ul>	<p>4.7 tCO<sub>2</sub>e per Revenue Intensity - Total GHG emission for Scope 1, 2 &amp; 3 in tCO<sub>2</sub>e relative to 1M SEK Revenue.</p>	<p>7.6 tCO<sub>2</sub>e per Revenue Intensity - Total GHG emission for Scope 1, 2 &amp; 3 in tCO<sub>2</sub>e relative to 1M SEK Revenue</p>	<p>9.6 tCO<sub>2</sub>e per Revenue Intensity - Total GHG emission for Scope 1, 2 &amp; 3 in tCO<sub>2</sub>e relative to 1M SEK Revenue.</p>
<p><b>By 2040, we aim to reach net-zero scope 1, 2 and 3 GHG emissions.<sup>6</sup></b></p> <p><b>We will:</b></p> <ul style="list-style-type: none"> <li>■ Reduce our our value chain emissions to as close to zero as possible</li> <li>■ Remove the remaining emissions through permanent carbon sequestration</li> </ul>	<p>Klarna’s absolute GHG emissions decreased by 25%, primarily driven by reductions of our supply chain emissions.</p>	<p>Steady improvements in the carbon intensity of purchased goods and services resulted in an overall reduction of Klarna’s absolute GHG emissions of 3.7%.</p>	<p>Driven by a significant increase in supply chain emissions as a result of strong business growth, Klarna’s absolute GHG emissions increased by 49% in 2021.</p>

<sup>5</sup> The wording of this commitment has been changed since the previous year to provide additional clarity on its substance. Furthermore, the currency in the intensity metric has been changed to SEK from USD to align with Klarna’s overall financial reporting.

<sup>6</sup> The wording of this commitment has been changed since the previous year to provide additional clarity on its substance.

# Environmental sustainability in business operations

## Waste management

Klarna's waste management strategy across its offices focuses on implementing the waste hierarchy: avoiding and reusing waste where possible, increasing recycling rates, and diverting remaining waste away from landfill.

Since Klarna's operations are office-based, with relatively low overall waste volumes, the main focus is to ensure opportunities for fractional recycling in the office spaces and to minimize non-recyclable office waste. Our Global Office Services team promotes and facilitates recycling as much as

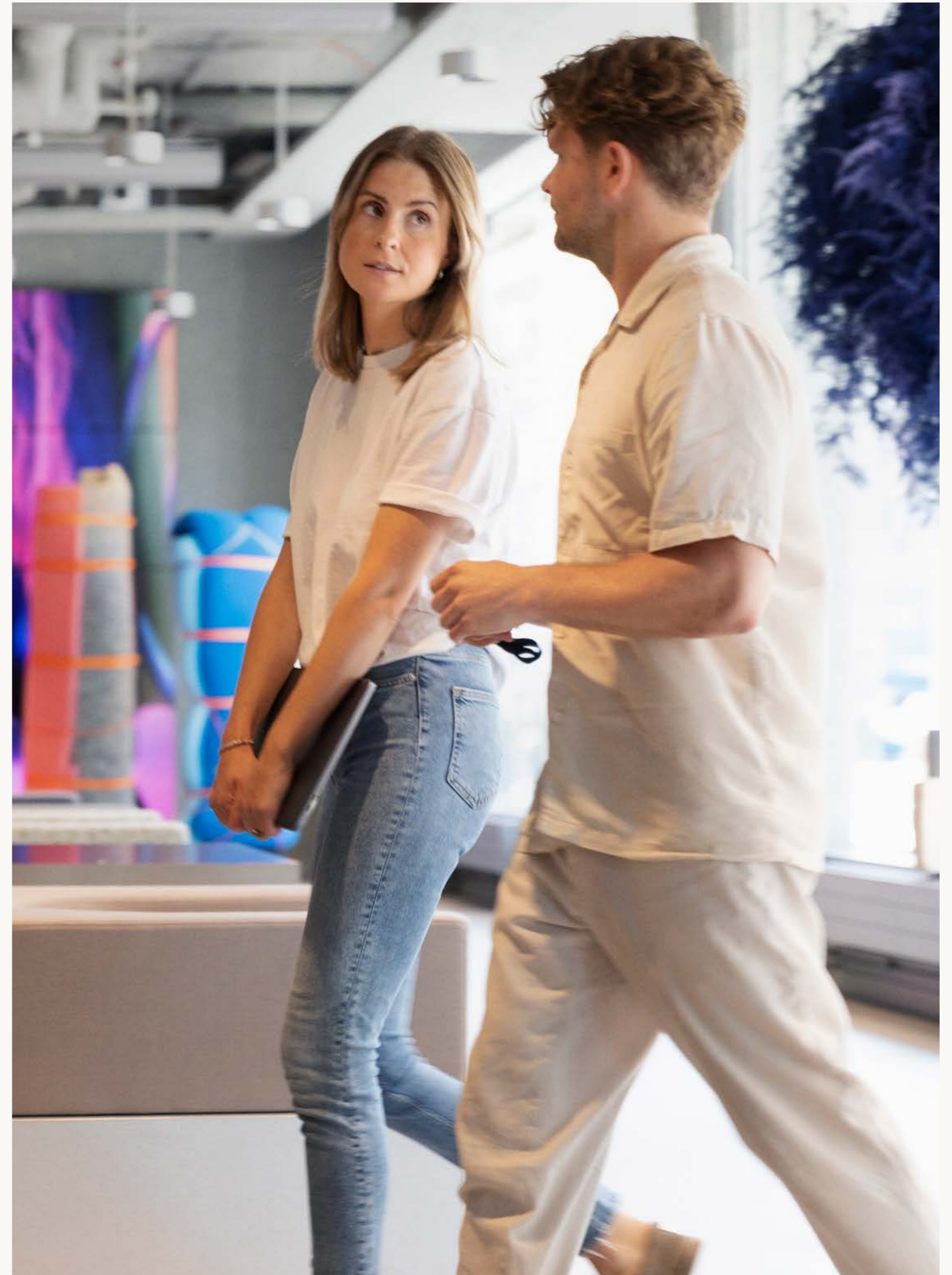
possible and encourages action through events like our Global Earth Week, where Klarnauts could learn about conservation and recycling through engaging educational events.

The recycling rate across the two primary Klarna-operated offices in Stockholm and Berlin is 16% and recycling rates across nearly all of Klarna's WeWork offices, which account for close to 75% of Klarna's flexible working desks, exceed 40%, with many certified as Zero waste to Landfill.

## IT equipment

As a technology-driven company, providing our employees with optimal IT equipment is critical to our success. Having the right tools is a necessity to further develop and maintain the innovative products and services we offer to our consumers and partners. Klarna strives to ensure sustainable consumption of physical electronic goods as much as possible.

We reuse as much of our IT equipment as possible and ensure that each device is fully utilized and depreciated before it is recycled. When recycling, we work with various partners around the globe to refurbish and recycle used equipment of a greater value (e.g. laptops, mobiles, and screens), most of which are repaired and resold.



# Klarna's climate contributions

## Klarna's internal carbon tax

While we are on our journey to reduce our emissions to net zero by 2040, Klarna will have GHG emissions that are yet to be reduced. Klarna is taking responsibility for these emissions by levying an internal carbon tax on our annual emissions and using these funds to finance climate action.

Notably, Klarna is financing **Beyond Value Chain Mitigation** (BVCM) in a contribution model. In this model, rather than buying carbon credits to "offset" our emissions, we contribute the funds raised through our carbon tax to a portfolio of climate projects focused on maximizing overall climate impact. **Like many experts**, we believe that this approach is a much-needed evolution

of the way companies have traditionally financed climate action and Klarna is amongst the first large businesses pioneering it worldwide.

We apply the internal carbon tax annually, based on our annual carbon footprint calculation. Specifically, we price those emissions that are more directly under our control (i.e. Scope 1, 2, and business travel emissions) at USD 100 per metric ton and more indirect emissions (i.e. all other Scope 3 emissions) at USD 10 per metric ton. In the fiscal year 2023, our carbon tax amounted to 2.0M USD, contributing to a total of 7.0M USD of finance for climate projects since 2020.

	Total	2023	2022	2021	2020
Funds raised from our internal carbon tax (USD)	<b>7.0M</b>	2.0M	2.3M	1.7M	1.0M

## Klarna's contribution to the Climate Transformation Fund

The funds generated by the internal carbon tax are donated to projects selected by the **Climate Transformation Fund** (CTF). The CTF is a charitable fund, curated by Milkywire, that enables companies to fund impactful climate solutions to help reach global net zero. Established in 2021 with the collaboration and support from Klarna, the fund has supported 30 projects to date.

To address the climate crisis, a range of solutions is required, including reforestation, renewable energy implementation, carbon capture, and policy changes. The CTF supports three impact pillars: 1) nature protection and restoration, 2) decarbonization, and 3) carbon dioxide removal.

With a focus on maximizing long-term CO<sub>2</sub> reduction or removal per dollar spent, the CTF scales existing nature-based climate solutions, prevents deforestation, and supports socially sustainable

re-greening practices. The decarbonization pillar accelerates climate policy ambitions, emphasizing the substitution of fossil fuels. The carbon removal pillar promotes the development and deployment of new technical solutions and scales mature options like biochar. These projects often generate environmental and social co-benefits.

As of 2023, Klarna has contributed over USD 5M to the CTF. From our 2023 contribution, we will receive 8,877 credits for carbon removal, meaning we paid to remove 8,877 tons of CO<sub>2</sub>e from the atmosphere.

In this way, we aim to drive catalytic climate action while also supporting those most affected by the impacts of the climate crisis. We believe this approach can inspire other companies to follow our example: to also set ambitious targets, put a price on their emissions, and contribute to the vital climate solutions the planet needs.

Klarna paid a carbon tax of

# USD 100

Per metric ton for emissions under Klarna's control (Scope 1, 2 and travel emissions).

Klarna paid a carbon tax of

# USD 10

Per metric ton for indirect emissions (rest of scope 3).

As of 2023, Klarna has contributed over

# USD 5M

to the Climate Transformation Fund supporting 30 projects.

We paid to remove

# 8,877

tons of CO<sub>2</sub>e from the atmosphere.


## Projects supported by Klarna’s contribution to the Climate Transformation Fund in 2023:

### Carbon removal




**Silicate** harnesses the power of mineral weathering to permanently remove carbon dioxide from the atmosphere using enhanced weathering of concrete (waste product) that is spread on fields to sequester carbon, eventually becoming limestone.

**USD 250K**




**InterEarth** grows a multi-species selection of highly adapted coppicing woody plants in Australia. Following periodic trimming, the harvested biomass is buried and encapsulated in dedicated subterranean chambers for long-term storage to permanently store the carbon captured within the biomass.

**USD 300K**




**Husk** transforms rice husk waste into highly effective biochar in Cambodia, helping to boost soil fertility, increase revenues for smallholders and draw down carbon into the soil, where it remains for hundreds of years.

**USD 50K**




**Carbon Capture Scotland** utilizes bespoke technology to capture waste biogenic CO2 from whisky distilleries in Scotland, which is then cleaned, liquefied, and geologically stored. Through this process, they explore the largely untapped carbon removal potential of fermentation sources, with future plans to enhance biodiversity in the Scottish Highlands.

**USD 100K**



**SeaC2** uses electrochemical oceanic carbon capture technology to treat water and capture and store its CO2 content, returning the treated water to the ocean’s surface layer where it can continue to absorb more CO2.

**USD 100K**




**Takachar** employs patented technology to convert crop residues into biochar offering multiple benefits: avoiding the burning of those residues, carbon capture through the use of biochar, reduction of the use of synthetic fertilizers, and minimization of wildfire risks.

**USD 150K**




**Mission Zero Technology** employs a direct-air mineralisation technique to capture atmospheric CO2, converting it into rock within three days. This carbon is stored as durable carbonates, useful in construction or responsible landfilling, simplifying the CO2 capture and mineralisation process with lower energy intensity.

**USD 100K**




**Octavia Carbon** designs and constructs Direct Air Carbon Capture (DACC) machines to filter CO2 from the air, which is then permanently stored underground utilizing Kenya’s basaltic geology to mineralize CO2.

**USD 100K**



**Parallel Carbon** advances a novel direct air capture (DAC) technology, merging mineral-air reactions, electrochemistry, and clean power to extract atmospheric CO2. This CO2 is then supplied to partners for long-term mineralization or underground geological storage.

**USD 100K**



**TerraFixing**’s technology captures carbon dioxide directly from the air using Adsorption technology and stores it permanently through geological sequestration. Their process is designed to operate in cold remote locations where extracting CO2 from the air is easier and cheaper, and where there are high potentials for renewable wind energy to power the units.

**USD 100K**



**Inplanet** focuses on enhancing rock weathering by spreading silicate rock powder on tropical agricultural lands, a method especially promising in these regions for capturing carbon in soil leachates and waters, eventually storing it in ocean sediments. Addressing the knowledge gap on tropical soil weathering processes, Inplanet ensures safety by using certified rock powders.

**USD 100K**

Total  
**USD 1.45M**



## Restoring and protecting nature



**Plant with Purpose** simultaneously addresses environmental degradation and poverty alleviation by sharing knowledge with rural communities on nature restoration and regenerative agricultural practices.

USD 83K



Landesa

**Landesa** aims to protect and restore mangrove forests in the Bay of Bengal and Southeast Asia, benefiting coastal communities' livelihoods and mangrove health. This project includes securing forest tenure, sustainable land management, reforestation, and afforestation. Landesa collaborates with six regional governments to advance sustainable mangrove management, blending on-the-ground restoration efforts with advocacy for secure tenure rights.

USD 74K



**Warsi** in Indonesia helps local communities to get forestry licenses for their land so they have the legal right to it and can prevent the rainforest from being cut down to make room for palm oil plantations or livestock.

USD 46K



**JustdiggIt** and their partner LEAD Foundation are teaching farmers to use simple and natural methods to grow the tree stumps they already have into large mature ones.

USD 83K



**Planète Urgence** is a global conservation organisation, particularly active in Indonesia. The CTF-funded project combats ecological detriments from shrimp farming and deforestation in Borneo's Mahakam Delta and Adang Bay.

USD 74K



**The Ceibo Alliance**, an Indigenous-led organization operating in the Upper Amazon (Ecuador, Colombia, and Peru), empowers Indigenous communities to combat deforestation and preserve these vital carbon sinks. They map and monitor forests, assisting community patrols in detecting and deterring rainforest-harming activities.

USD 74K

## Decarbonisation and advocacy



**New Energy Nexus (NEX)** supports clean energy entrepreneurs in Asia and Africa. This project specifically focuses on establishing policy and regulatory frameworks that support the growth of clean energy technology startups in Indonesia.

USD 55K



**Human Rights Watch** is a NGO advocating for human rights and sustainability. They actively engage in initiatives to combat the impact of fossil fuels, for example in Bosnia, they halted a coal-fired power plant and promoted renewable energy laws. In the US, they supported a lawsuit against new fossil fuel facilities in "Cancer Alley." HRW plans to continue these initiatives in oil-producing countries like the UAE and Iraq.

USD 74K



**Industrious Labs** is a new organization dedicated to decarbonizing heavy industries, with a specific focus on the cement and aluminum sectors. Shifting from carbon-intensive Portland cement to existing, low-carbon technologies can significantly reduce emissions in this sector. Their aluminum campaign aims to decarbonize the U.S. primary aluminum industry, leading to a substantial reduction in its CO2 footprint.

USD 87K



**Beyond Zero** is an independent think-tank working on net-zero pathways for Australia, highlighting pathways that show how the green transition is beneficial for the economy.

USD 26K



**Clean Air Task Force** has created an African energy and climate innovation program to lay the foundation for a clean energy future. They are focused on local needs, enabling growth and economic development, not just microgrids for household consumption.

USD 74K



**Carbon Market Watch** is a prominent organization striving to influence EU carbon removal policies. CMW proposes a novel approach to monitor the EU's carbon removal targets, preventing the risk of discouraging mitigation efforts due to the absence of distinct reduction and removal targets. This approach aims to achieve near-zero emissions for the benefit of both the climate and society.

USD 66K



**The Bungin Island Decarbonization Project** is an ambitious initiative aimed at transforming the traditional fishing practices of Indonesia's most densely populated island. Through the introduction of electric boat motors and solar-powered cold storage, this project seeks to significantly reduce carbon emissions, setting a sustainable example for fishing communities worldwide.

USD 87K

Total  
USD 434K

Total  
USD 469K

Find out more about the projects we are supporting [here](#).

# Impact partnerships

Collaboration is a crucial ingredient for successful climate action. That is why we partner with corporate climate leadership initiatives to go further, faster. As of 2023, we:



are committed to The Climate Pledge



have joined the Race to Zero



are active members of Leaders for Climate Action



continue to disclose our climate governance, initiatives and performance in the CDP Climate Change Questionnaire



# Our planet health initiative

## Give One

In April 2021, Klarna pledged 1% of all future funding rounds to Give One, our planet health initiative. Based on three investment rounds, this commitment now totals USD 24.5 million by the end of 2023. Together with our strategic sustainability partner, Milkywire, we support change-makers on the frontlines of environmental challenges and showcase their work being done on the ground. We strongly believe that the growth of our business needs to support conservation, mitigation, and restoration efforts for climate and biodiversity.

To make sure we select the right organizations, Give One has an Advisory Board, a group of experts in their fields who provide the initiative with invaluable scientific knowledge and extensive experience

in environmental development, conservation, and project financing. We have summarized the progress Give One has made in the [Give One Progress Report 22/23](#), where we have documented in detail how the funds pooled by our Give One initiative have been used.

### Employee donations

During 2023, we launched several employee engagement formats, including internal climate competitions and hackathons on planetary health and climate change education. As part of this engagement, we donated an additional SEK 1,212,921 to various Give One projects.

**Give One supports over 50 organizations throughout North America, South America, Africa, Europe, and Asia. Some highlights include:**

**43,000 people**

benefitted in livelihood improvement activities relating to forest conservation in Kenya and Ghana in 2022 alone

**61,000 people**

have engaged in activities through Give One to restore and protect our planet – including government officials, schools, and community members

**900,000 hectares**

2.2 million acres of habitat across the globe have seen positive impact thanks to Give One-supported organizations

**3.4 million trees**

have been planted to restore and reforest important ecosystems by organizations supported by Give One



# Vote with your wallet

More than ever, consumers are aware of how their purchasing behavior impacts the environment and in turn, vote with their wallets by choosing brands and products that align with their values.

Consumers are actively seeking information to guide their purchasing decisions. According to Klarna's latest [Shopping Pulse Survey](#) nearly 1 in 3 consumers state the importance of brands and retailers to act in an environmentally sustainable way.

Klarna carries out

## 2.5M

transactions per day. By providing

## 150M

global consumers with better information as they shop with Klarna, we can make an impact on environmental and social aspects.

We know that not everyone has the same time, commitment, or depth of understanding of the complex issues involved to make sustainable choices. Still, we believe in empowering our consumers to make better-informed decisions by providing them with the right and easy-to-understand information at the right time - all without judgment.

We are committed to increasing sustainability awareness amongst our consumers by providing them information at both brand and product level. At the brand level, we provide our consumers with pre-purchase insights into the sustainability performance of retail partners on various sustainability achievements based on vetted 3rd party data including Good On You and Clarity AI. This information allows shoppers to make informed decisions, helping them to discover brands that align with their values.

On the product level, consumers have the opportunity to access pre-purchase information and choose products based on third-party sustainability certifications, such as Global Organic Textile Standard (GOTS), People for Ethical Treatment of Animals (PETA), and Cradle to Cradle. Additionally they can access post-purchase information, including insights into the CO<sub>2</sub> emissions data of the products they purchased and learn more through sustainability tips about how to take care of their products.

## Targets and Progress

Target	Progress 2023	Progress 2022	Progress 2021
Empowering our consumers to make better-informed decisions by providing them with easy-to-understand information at the right time.	<ul style="list-style-type: none"> <li>● Upgraded the CO<sub>2</sub> Emissions Tracker to include insights into the environmental impact of 150 million products within Home &amp; Garden, Jewelry &amp; Accessories, Health &amp; Beauty and Electronic categories.</li> <li>● Launched new touchpoints and features in the shopping experience in-app to highlight sustainability information about brands to consumers. In 2023 we had 4.75 million purchases from conscious brands.</li> <li>● Launched a conscious shopping touchpoint on klarna.com to serve as the main access point to Klarna's wide range of sustainability related information and services.</li> <li>● Launched new sustainability search filters to enable shoppers to discover products that received third-party sustainability certifications.</li> </ul>	<ul style="list-style-type: none"> <li>● Upgraded CO<sub>2</sub>e Emissions Tracker to provide shoppers worldwide with CO<sub>2</sub>e emissions data at a product level for nearly 60 million fashion items.</li> <li>● Launched Conscious Collections highlighting 105 fashion brands in 18 markets, enabling consumers to find conscious brands in the fashion category.</li> <li>● Highlighted environmentally conscious brands, showcasing the outstanding environmental efforts of electronics brands.</li> <li>● Launched sustainability campaigns that showcase the sustainability efforts of our retail partners to consumers.</li> </ul>	<ul style="list-style-type: none"> <li>● Launched CO<sub>2</sub>e Emissions Tracker in all markets, offering consumers CO<sub>2</sub>e insights for shopping purchases.</li> <li>● Highlighted more sustainable products, emphasizing reuse and upcycling through in-app lists to consumers.</li> <li>● We highlighted the sustainable efforts of our retailers and encouraged consumers to shop consciously through our Vibes program. As a result, our consumers received twice as many Vibes for conscious shopping in April.</li> </ul>

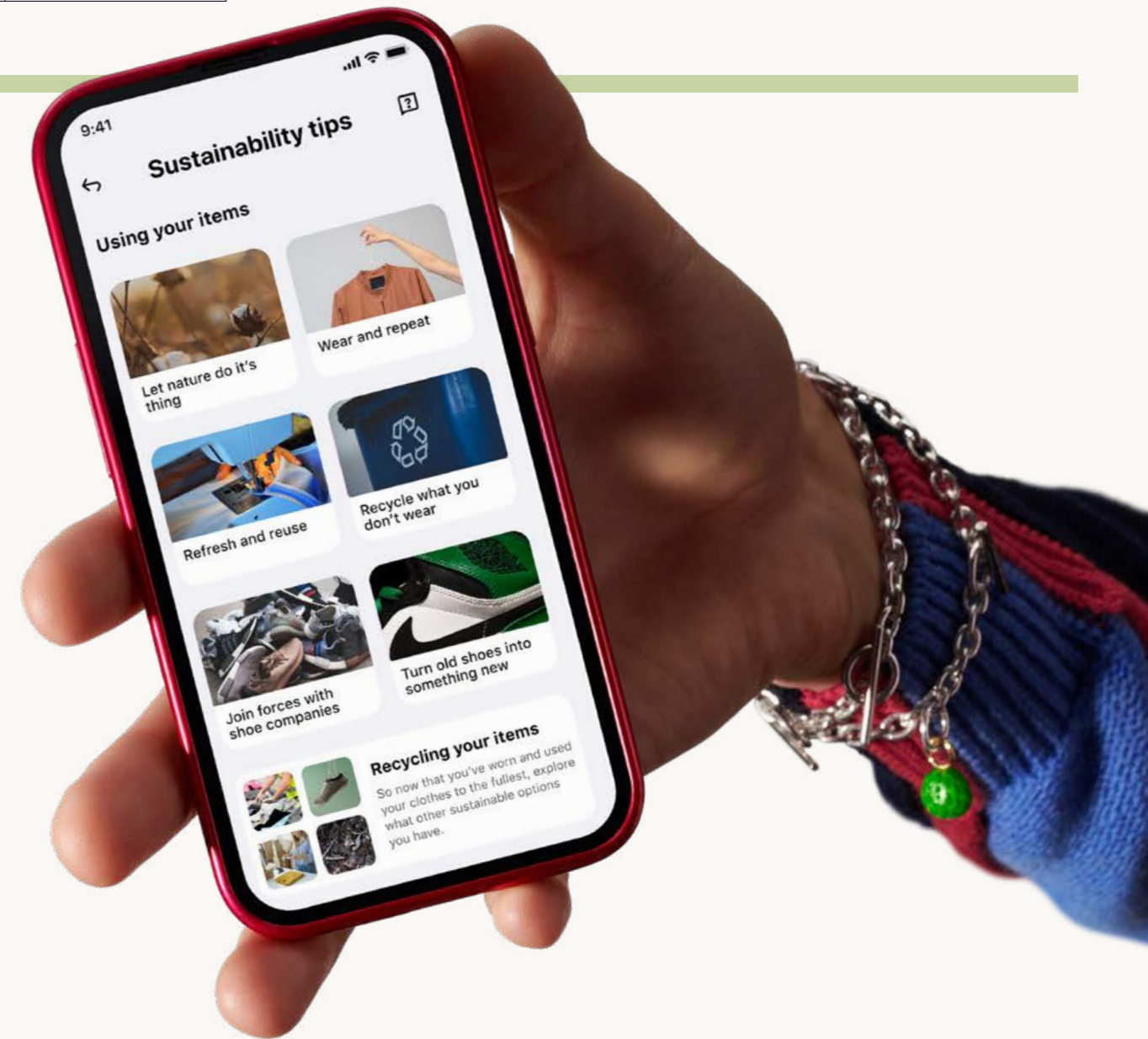
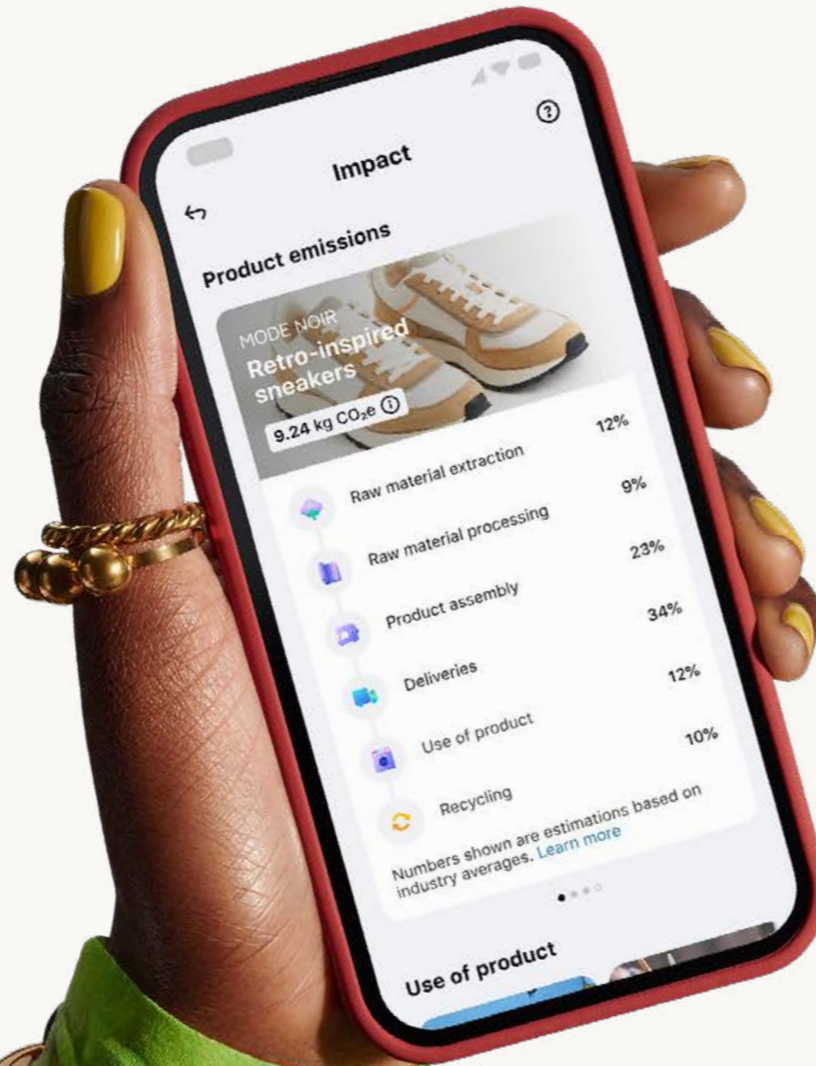
## Product Level Sustainability information

### CO<sub>2</sub>e Emissions Tracker

Consumers are taking brands to task and demanding tools that help them shop more sustainably. In response to that growing demand for a better understanding of the impact of their purchases, in 2021 we introduced Klarna's CO<sub>2</sub>e Emissions Tracker. The CO<sub>2</sub>e Emissions Tracker provides insights into the estimated CO<sub>2</sub>e emissions of purchases made by consumers via the Klarna app. By displaying the estimated kg-CO<sub>2</sub>e value of each transaction, we aim to raise consumers' awareness of the emissions related to their purchases and encourage them to act on these emissions by either learning how to shop more sustainably or donating directly to the Climate Transformation Fund via the Klarna app.

Since the CO<sub>2</sub>e Emissions Tracker's launch in April 2021, 7.26 million consumers have used it and on average, over 280K consumers track their carbon footprint every month.

In 2023, in conjunction with our partner Vaayu, we elevated the CO<sub>2</sub>e Emissions Tracker to give consumers even deeper insights into the emissions related to their purchases. The CO<sub>2</sub>e Emissions Tracker now provides the estimated CO<sub>2</sub> on product level for the following product categories: Fashion, Home & Garden, Jewelry & Accessories, Health & Beauty and Electronics. We provide estimated CO<sub>2</sub>e emissions data for 150 million products across all categories. In addition to this we also enhanced the CO<sub>2</sub>e Emissions Tracker to include advanced insights into the CO<sub>2</sub> emissions tied to past purchases, meticulously analyzed at a product-level. The improved version provides an in-depth breakdown of a product's CO<sub>2</sub> emissions, touching on every step of the product's lifecycle – from raw material extraction and processing, to product assembly and delivery to the end user.



### Sustainability Tips

We are continuously working towards adding new features to our product offering to help those consumers who want to adopt a more conscious lifestyle.

In addition to the CO<sub>2</sub>e Emissions Tracker, in 2023 we have included an educational section to inform consumers on best practices around how to take care of their products while using them. The aim is to help consumers understand how they can maintain the value of their products and keep them in use. Consumers can learn about how to extend the life of their products after the purchase, minimize the CO<sub>2</sub>e emissions during usage and find practical steps such as adhering to care labels and repairing well-worn items.

### Sustainability Search Filters

In our latest **Klarna Pulse Survey Q2 2023**, 42% of our consumers globally think it's important that brands use sustainable materials in their products. We believe that third-party sustainability certifications can enable consumers to make purchases in line with third party certifications that matter to them.

In 2023 Klarna introduced new sustainability certification filters enabling consumers to identify products by third-party sustainability certifications such as Global Organic Textile Standard (GOTS), People for Ethical Treatment of Animals (PETA), and Cradle to Cradle. The feature is available in our search and compare tool online and in the Klarna App. In the future we aim to enhance and extend the filters to cover more product categories.

## Brand Level Sustainability information

Consumers are increasingly looking for brands that share their values<sup>7</sup>. Our goal is to empower consumers to shop more consciously by providing the right information at the right time. Our approach is to be facilitative - helping people to make smart choices, without restricting those choices. We remain a neutral platform that helps consumers shop based on their values.

Showcasing sustainability information at the brand level is complex. There is no accepted definition of what makes a company more sustainable and there is no cross-industry alignment. With this in mind, and in response to consumer demand, we have decided to identify a retail partner's sustainability efforts through third-party sustainability ratings. We carefully select our partners to provide consumers with accurate and trustworthy information about brands' environmental efforts and achievements.

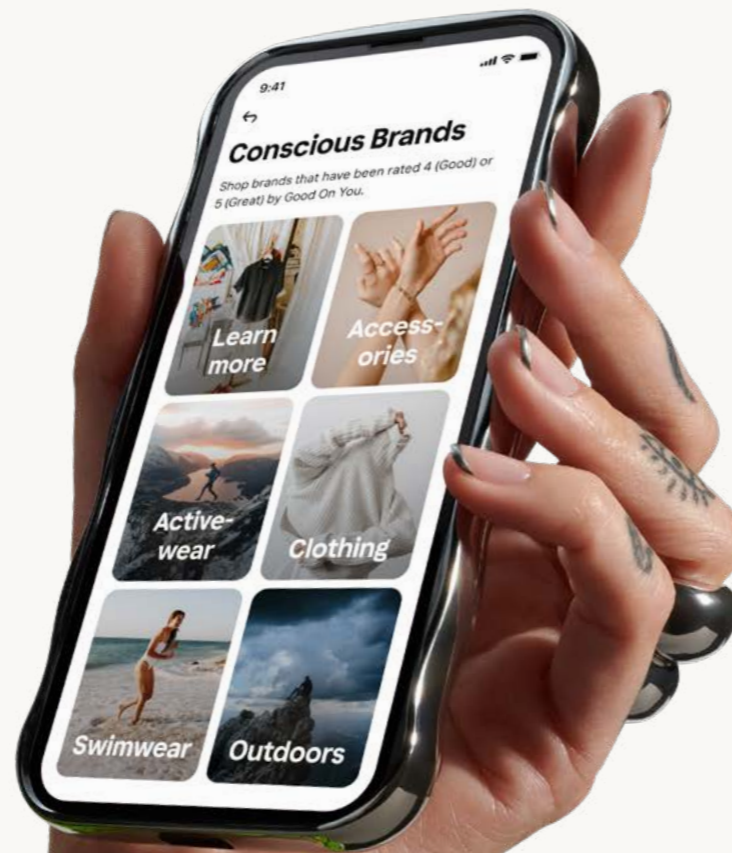
In 2023 we worked on integrating sustainability information at the brand level more seamlessly into the consumer journey, both pre and post purchase.

### Conscious fashion brands with Good On You

In February 2022, we officially launched our partnership with **Good On You**. Good On You ratings enable consumers to understand the impact of fashion brands on people, the planet, and animals, and examines more than 1,000 data points to determine a brand's rating from 1 "We Avoid" to 5 "Great". Good On You scores brands based on the brand's own external reporting, independent certifications, and other standards-based systems (e.g., Fair Trade), and third-party reports and indices (e.g., the Fashion Transparency Index).

Brands rated 4 (Good) or 5 (Great) by Good On You are highlighted in various touch points in the Klarna App, in 18 markets.

In 2023 we were able to increase the number of Klarna brands assessed by Good On You and highlighted in the App. We also started a pilot with some fashion brands to help them improve their Good On You ratings.



### Conscious electronics brands with Clarity AI

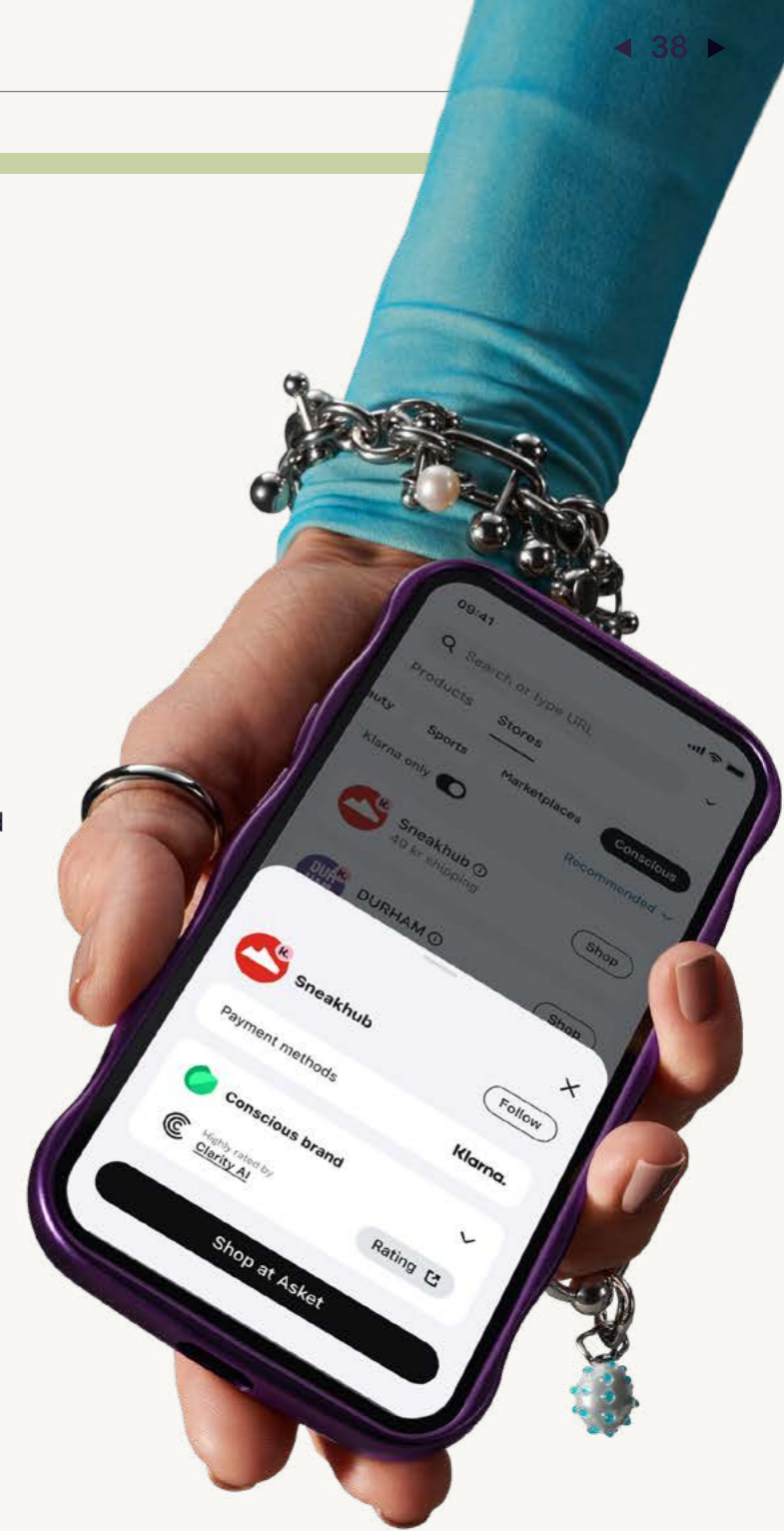
According to the Q3 2023 **Klarna Shopping Pulse** Survey, 39% of our global shoppers say that sustainability when shopping for electronics is important to them.

In December 2022, we launched our partnership with **Clarity AI** to enable consumers to **explore electronics brands** and learn more about their environmental efforts. Clarity AI is an independent sustainability technology platform that recognize specific achievements and targets of brands within environmental sustainability. This information provides consumers with a simple and reliable way to identify brands that are proactively addressing climate change and indicate when a company, based on publicly reported data, has lower greenhouse gas emissions than comparable companies, sources more than 90% percent of its energy from renewable sources, has a climate change policy and roadmap to positively impact climate change, and when a company is transparent in reporting climate-related information. In 2024 we plan to expand our partnership with Clarity AI and broaden the assessment of brands to additional categories such as Health & Beauty, Home & Garden.

### Earth Week Initiative 2023: Buy It For Life

As part of our Earth Week Initiative in 2023, we partnered with Reddit to compile a list of the most popular durable products. This was based on consumer insights gathered from the r/BuyItForLife community.

We employed ChatGPT and manual analysis to scan r/BuyItForLife for the most frequently mentioned products during 2022. This initiative led to substantial media exposure, with key results including close to 140 million press coverage impressions and a total of almost 223 million impressions. With this awareness campaign we wanted to help our consumers make smarter shopping decisions considering durability and also highlight our other related initiatives like circular shopping and resell. Learn more about the campaign [here](#).



<sup>7</sup> Q2 2023 Klarna's Shopping Pulse

# Circular shopping

The circular economy is a system designed from the outset to restore and regenerate resources. It ensures that materials and products never become waste but maintain their integrity and retain their highest value for as long as possible.

At Klarna, we are well positioned to help consumers maximize the use of products, and we can help them purchase pre-owned items. Our goal is to enable consumers to resell, donate or recycle pre-owned items, and empower them to minimize waste and extend the life of products through circular services.

## There are four phases of the circular economy:

We have identified two phases in the circular economy process flow where Klarna can help the industry transition to a circular economy: the 'Use' and 'Reuse' phases. Using a T-shirt as an example, the 'Use' phase examines how we can take care of the product through measures such as maintenance, repair, and redesign. This is where we see the greatest potential to influence consumer behavior. In the 'Reuse' phase, consumers have already lost their love for their favorite T-shirt, so we need to look for ways to resell, donate, or otherwise extend the life of the product. At this stage, we not only have the opportunity to engage the consumer, but also our retail partners.



## Targets and Progress

Target	Progress 2023	Progress 2022	Progress 2021
To incentivize our consumers to participate in the circular economy, we will add pre-owned products throughout the shopping journey and make it convenient for them to maximize the lifespan of their items by providing options and insights on how to reuse products they have previously purchased through Klarna.	<ul style="list-style-type: none"> <li>● We expanded the "Shop Circular" Collection to more markets, to 19 in total.</li> <li>● We continued to offer edutainment content to consumers about the circular economy through different campaigns and activities.</li> <li>● We launched our first Resell feature in Sweden, enabling consumers to resell products from past purchases with Klarna.</li> </ul>	<ul style="list-style-type: none"> <li>● We launched the "Shop Circular" collection in 12 markets, which showcase our retailers' circular services to consumers.</li> <li>● We launched several circular economy campaigns for our consumers, highlighting secondhand products and educating consumers on how to care for their products.</li> <li>● We launched a sustainability tips section in our CO<sub>2</sub>e Emission Tracker giving consumers tips on how to extend the life of the fashion and electronics products purchased via Klarna.</li> </ul>	<ul style="list-style-type: none"> <li>● We introduced shopping lists for secondhand purchases of luxury items for our consumers.</li> <li>● We partnered with a number of retailers that sell pre-owned goods, such as Sellpy and Vestiaire Collective. In 2021, consumers placed more than 540,000 orders with these two retailers through Klarna.</li> </ul>

## Shop circular collection

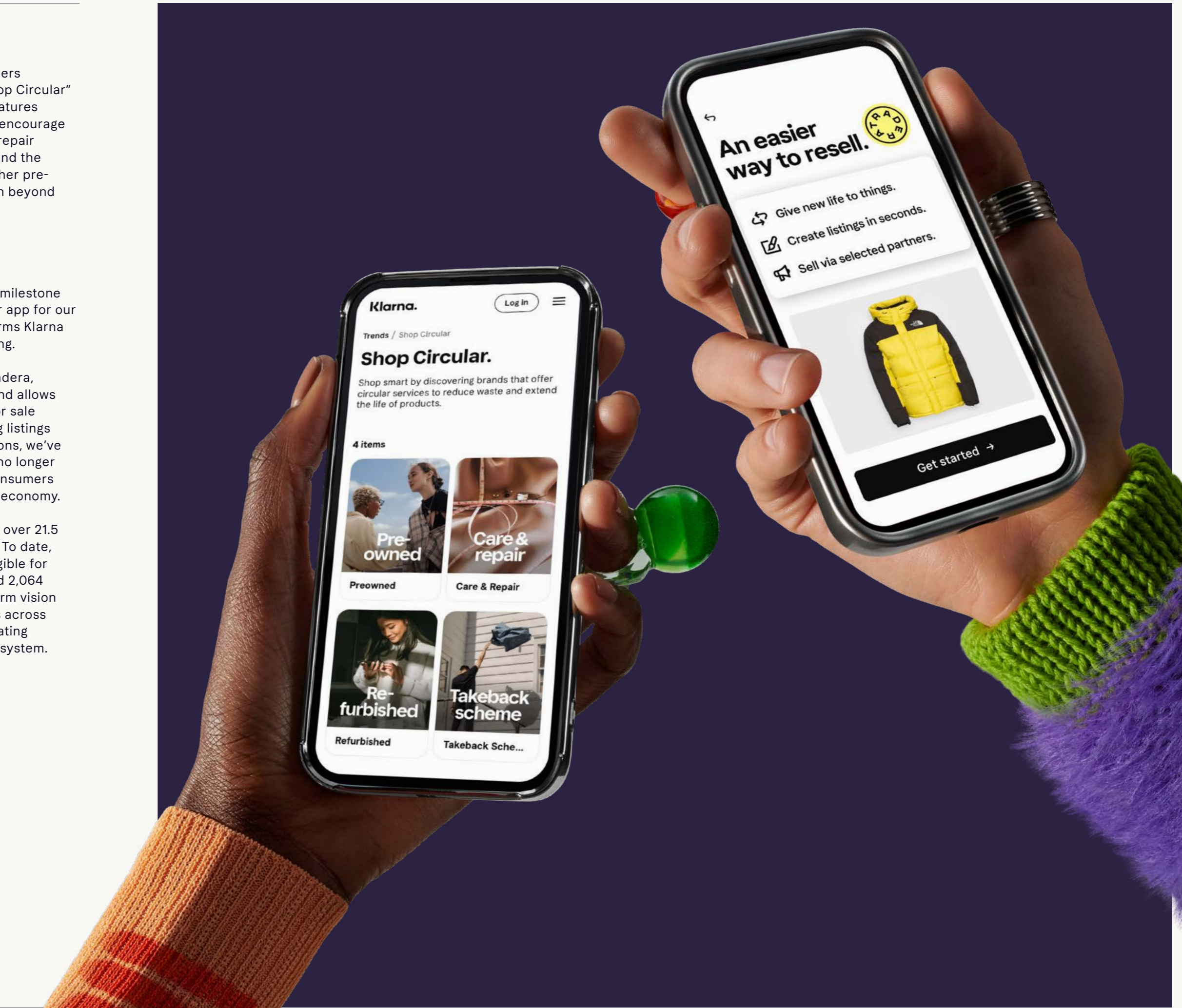
In 2023 we continued to highlight Klarna partners contributing to the circular economy. The “Shop Circular” collection was expanded to 19 markets and features products and services from our partners that encourage consumers to buy secondhand, use care and repair services as well as take-back schemes to extend the lifespan of their products. We will explore further pre-purchase touchpoints to show this information beyond shopping lists in our app home feed.

## Resell feature

In January 2023 Klarna achieved a significant milestone as we launched a new resell feature within our app for our Swedish consumers. This new feature transforms Klarna into a one-stop-shop for both selling and buying.

The feature launched in collaboration with Tradera, Sweden’s leading secondhand marketplace, and allows users to list purchases bought using Klarna, for sale directly via the Klarna App. By auto-populating listings on Tradera with images and product descriptions, we’ve made it effortless for consumers to list items no longer wanted for sale. This initiative provides our consumers with an easy way to participate in the circular economy.

The launch received significant exposure with over 21.5 million impressions in paid and earned media. To date, 24.5 million products in the Klarna app are eligible for reselling. Since the launch the feature enabled 2,064 listings on Tradera. Looking ahead, our long term vision is to make Resell available to more consumers across different markets as well as continually integrating circularity features throughout the Klarna ecosystem.

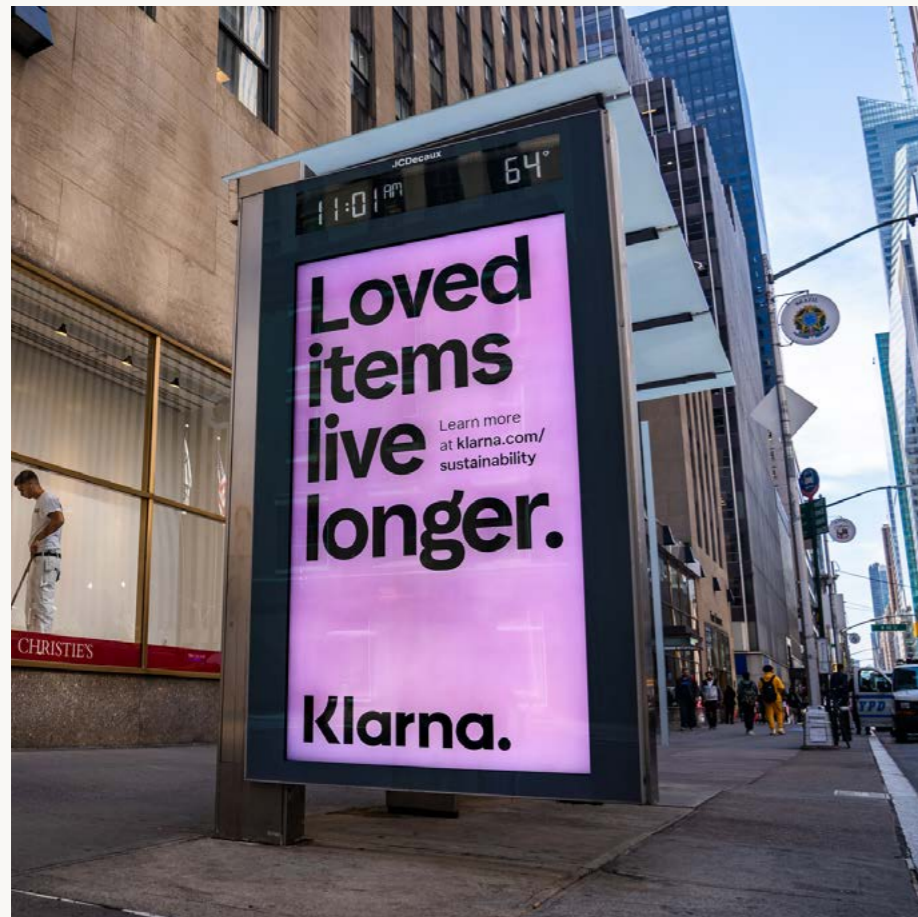




### Climate Week NYC 2023

During Climate Week NYC in September 2023, we took part in various events and panel discussions to spotlight our latest **sustainability-focused products**. Alongside this, we rolled out an educational circular shopping campaign across New York City.

The campaign also introduced a conscious shopping touchpoint on klarna.com to serve as the main access point to Klarna’s wide range of sustainability related information and services. On the dashboard shoppers can try our conscious shopping tools and read our tips on how to extend the life of their items. This engagement led to substantial visibility, with over 285 million total impressions.



# Effortless donations

We want to help our consumers to take action for the planet so have created several touchpoints in our ecosystem where Klarna consumers can donate to environmental projects they care about, and also receive more information about what their donations contribute to.

Our strategic sustainability partner **Milkywire**, supports us in finding and evaluating organizations to ensure quality and impact and provides transparent reporting on the impact of Klarna's and our consumers' donations.

## Targets and Progress

Target	Progress 2023	Progress 2022	Progress 2021
By 2025, we aim to reach SEK 2 billion worth of consumer donations through our channels.	<ul style="list-style-type: none"> <li>● 4.5M total consumer donations this year.</li> <li>● Made by 202K consumers.</li> </ul>	<ul style="list-style-type: none"> <li>● SEK 1.8M total consumer donations this year.</li> <li>● Made by 10K consumers.</li> </ul>	<ul style="list-style-type: none"> <li>● SEK 1.5M total consumer donations this year.</li> <li>● Made by 17K consumers.</li> </ul>

### Consumer donations

Since the launch in 2020, 230K Klarna consumers have donated more than SEK 7.8 million through our donation touchpoints to planet health. The donations have been distributed between our five main causes: Protecting wildlife, restoring forests and landscapes, fighting climate change, saving oceans and seas, and supporting environmental defenders.

### Add \$1 to your purchase

In 2023, we introduced a feature allowing our shoppers to add a \$1 donation whenever they choose to pay with 'Pay in 4'. This new initiative, available currently in the US, enables shoppers to support non-profit organizations while making their purchases with Klarna.

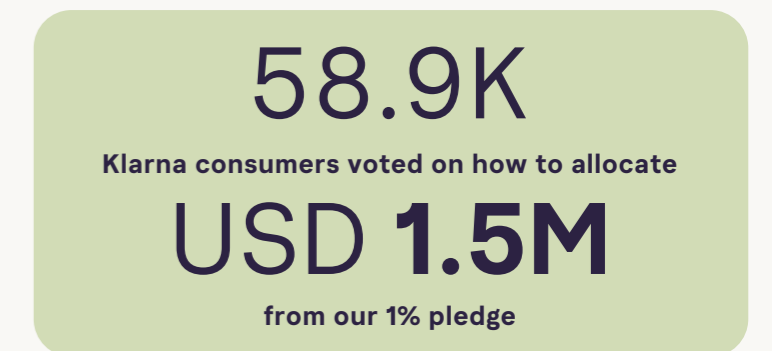
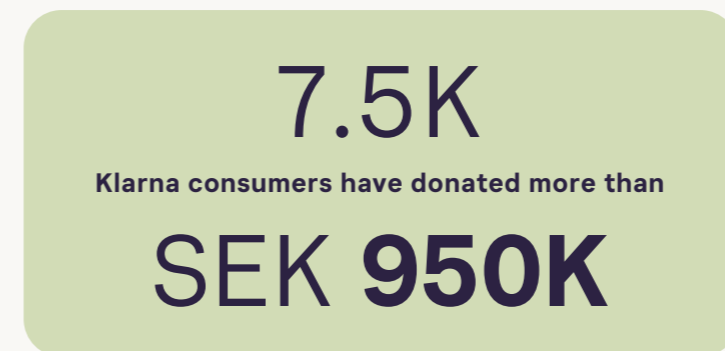
Having launched in June, this initiative has been met with a powerful response: over 193K consumers have seized the opportunity to contribute, raising an impressive total of SEK 2.2M so far. This accomplishment not only underscores our commitment to sustainability and ethical practices, but also reflects our customers' increasing interest in making a positive difference.

### Klarna Checkout donations

With the launch of Klarna's Give One initiative in April 2021, we have introduced several donation touchpoints across the Klarna ecosystem. One of the most prominent donation touchpoints for consumers is the donation banner we display on the purchase confirmation screen in Klarna Checkout. During 2023, 7.5K consumers donated more than SEK 950K. The feature is available in Sweden, Norway, Finland, Denmark, Germany, Austria, and the Netherlands.

### Season of Giving campaign

As part of Klarna's Holiday Campaign, Season of Giving, we let Klarnauts and Klarna consumers vote on how USD 1.5 million from our 1% pledge should be allocated. Klarnauts and Klarna consumers could choose between two different causes - restoring forests and landscapes, or supporting environmental defenders. Once they completed their vote, we offered them the chance to also support the planet by donating to their chosen charity. The campaign reached 2.5M shoppers and more than 58.9K cast their vote on their preferred cause and the funds were split between the two causes based on the voting proportions.



# Social



# Financial wellness

## MATERIAL TOPIC

We exist to help people spend their money in a smarter way by offering alternative, fair, and flexible payment options, money-saving hacks, valuable rewards, and effortless money management. All in all, we help customers make the most of every dollar, enabling smart purchases and sustainable spending habits. From detailed

spending overviews, and in-app budgeting tools to auto discounts and our AI powered unbiased search tool, we allow consumers to find the best products at the best price and offer flexibility with a choice of ways to pay, including delaying payment or spreading the cost interest-free over a short period of time.

## Products supporting consumers' financial wellness

We want to be part of driving change in the credit and payments industry by making our product offering more sustainable. We rolled out several improved consumer-friendly products in 2023.

Klarna's Financial Overview dashboard in the Klarna App makes it easy for consumers to understand their spending habits and manage their budgets. It offers a set of tools that gives them transparency and control over their personal finances, such tools include:

### Budgeting

● LIVE GLOBALLY

Consumers can set a monthly allowance for themselves to track how much they are spending. The bar graph indicates to the user how much is left of the set limit and the user is notified when they are reaching or have passed their set limit.

### Categorization

● LIVE GLOBALLY

All transactions in the Klarna app are automatically categorized based on product category so it's easy for users to understand exactly what they are spending their money on.

### Monthly spending breakdown "Money Out"

● LIVE GLOBALLY

Consumers can track their spending levels month over month and compare them to their average spending via an intuitive and interactive bar chart. Each chart is color-coded to reflect what proportion is spent on each category, making it easy to see how spending patterns change over time.

### Money In

● LIVE GLOBALLY

Consumers can track all their incoming payments month over month - especially useful for Klarna Card users and consumers who have connected external accounts in the Klarna app - and compare them to their average received money via an intuitive and interactive bar chart, making it easy to see how much money they've received over time.

### Money Story

● LIVE IN GERMANY, SWEDEN AND THE UK

In January 2023, Klarna **launched** a personal spending summary in Germany, Sweden and the UK that provides consumers with useful insights into their spending habits for the preceding year and helps them be informed and in control of their finances. In order to help consumers translate the insights from their Money Story into smart spending habits and financial goals, each user's Money Story also includes nudges to discover and test Klarna's free money management tools, such as the budget tracker and the monthly spending breakdown.

### Spending Deviation Insights

● LIVE IN SWEDEN AND GERMANY

We offer consumers a fun and engaging way to get insights into their spending habits, by receiving a monthly push notification if their spending has increased or decreased more than 10% compared to their average spending.

### Connected Accounts

● LIVE IN AUSTRIA, BELGIUM, FRANCE, GERMANY, NETHERLANDS, SWEDEN AND THE UK

Through our aggregation feature, consumers can connect external bank accounts in the Klarna app, so that they can see all their account information such as balances and transactions in one place.

### Saving Calculator

● LIVE IN GERMANY

This tool allows users to select a potential amount they wish to put aside in their Klarna's savings account. Once the amount is determined, the tool will display projected savings over a specific term - 6 months, 1 year, 3 years - with clear views of both monthly and yearly returns. By providing these explicit saving forecasts, we want to encourage our customers to manage their finances more intentionally, with an eye on future growth.

### UK Credit Opt-out

● LIVE IN THE UK

An in-app tool to give consumers more choice over how and when they access Klarna's credit products, helping them save time and money, and worry less about their finances. First launched in the UK, the tool gives consumers the ability to 'switch off' Klarna's credit products without losing access to Klarna's shopping features or 'Pay Now'.

### Saving Accounts

● LIVE IN SWEDEN AND GERMANY

In Sweden and Germany, our consumers can save money with our fixed and flexible saving accounts with competitive interest rates. In Germany, we have taken the flexible savings accounts one step further, allowing consumers using the Klarna Bank Account to organize their savings goals through our "Pools" feature. Pools are sub-accounts in your Klarna Bank Account that help you build a saving habit with automated saving "Rituals" and goal setting. The "Goal Getter" ritual allows users to select a specific amount to be deposited into the pool weekly, while the "Roundup" ritual rounds up each card payment to the nearest euro and deposits the excess change into the pool, allowing users to save continuously and conveniently on the side.

## Financial wellness initiatives

### Money Management Pulse survey

The quarterly consumer survey assesses consumer spending habits and preferences. It is conducted across 18 countries and includes a minimum of 1,000 respondents per country.

### UK Financial Literacy event

In December 2023, Klarna headline sponsored and hosted a panel in the 'New Year, Wealthier You' event hosted by UK financial literacy platform Pennies to Pounds, discussing money management tools and how to use credit responsibly to help attendees make a plan and better manage their finances ahead of the new year.

### Money Talks

With the purpose of helping break the stigma around money and sparking genuine and meaningful conversations around spending, saving and shopping, in 2023 Klarna relaunched the Money Talks card game that was first launched in 2021. Informed by the Social Vulnerability Scale, which is proven to foster closeness in conversation through mutual vulnerability, the game comprises three levels and a wildcard round, with each level touching on a different theme including relationships, personal habits, mindsets and financial basics. Money Talks is live in Germany and the UK.

### Wikipink

We strive to earn our consumers' trust every time they engage with us. To create a transparent and fact-based discussion about consumer loans, we launched our Wikipink sites in the Nordics in 2021 and in **Germany** in 2022. The sites present, among other things, data on reminder fees and debt collection and enforcement cases not only for Klarna, but the wider credit industry, where we believe new, better standards need to be set.

### Sustainable payment research project

Klarna has an ongoing partnership with the Sustainable Finance Lab in Sweden to conduct a research project that aims to improve understanding of the Swedish consumer credit market and propose concrete solutions to address the existing problems.

Behavioral characteristics will be identified that lead borrowers to take on too much debt, choose costly credit, and other factors that may run counter to borrowers' interests. On the supply side, researchers will examine, for example, how product design can influence borrowers' negative decisions and the extent to which lenders engage in underpricing of lending.

When completed, the study's newfound insights will contribute to a deeper understanding of the root causes of the challenges, and make a sound case for new regulatory reforms and better industry practices that can contribute to a more sustainable credit market.



# Fighting financial crime

The financial sector has a key role to play in society's prevention of – and fight against – financial crime. Strong financial crime prevention practices can modernize and digitalize activities and identify the people behind such activities.

The main forms of financial crime that Klarna has identified as having a significant impact on society – and which we can work to prevent – are:

- Fraud
- Bribery and corruption
- Money laundering and terrorist financing
- Cybercrime
- Sanctions evasion

## How we prevent financial crime

Klarna takes the prevention of financial crime extremely seriously. We actively manage the risks of financial crime through policies, instructions, and routines across Klarna. The Fraud prevention domain at Klarna has the overall responsibility for preventing fraud. We have multiple functions in place to prevent money laundering and terrorist financing and ensure compliance with international sanctions. The Compliance team is responsible for our Anti-Corruption Program to ensure that Klarna and its employees are not participants in bribery or corruption, unintentionally or otherwise.

Employee training is key to fighting financial crime. Our mandatory e-learning modules on Code of Business Conduct, Whistleblowing, Conflicts of Interest, Anti-money Laundering, Countering Terrorist Financing, and Sanctions ensure all employees understand the importance and the detail of the processes we have in place. Completion of the annual training is monitored to ensure it is completed by all employees.

## Anti-money laundering, countering terrorist financing and sanctions

Klarna has no tolerance for establishing or maintaining business relationships if there is suspicion of a customer using, or intending to use, Klarna's products or services for money laundering (ML) or terrorist financing (TF). The same applies if there is insufficient knowledge of the customer to manage the risk of ML/TF or to monitor and assess the customer's activities. In all, Klarna has the aim to, within reasonable bounds and as required by the relevant regulations and rules, minimize the risk of being used for all types of money laundering or terrorist financing.

Additionally, Klarna has no tolerance for sanctions evasion, as such, in accordance with our internal governing documents, we utilize a number of different measures to comply with applicable sanctions regulations including screening customers against the appropriate sanctions lists, conducting a periodic review of our sanctions exposure through a sanctions risk assessment, and providing periodic training on relevant sanctions topics to Klarna employees.

Klarna continuously identifies, manages, and mitigates risks, improves the measures taken, and applies the three lines of defense model as part of its risk-based approach for both anti-money laundering and sanctions compliance. Where applicable, and as required by anti-money laundering and countering terrorist financing laws and regulations, Klarna has systems and routines in place to perform "Know Your Customer" where

measures such as risk assessment, customer due diligence, and transaction monitoring are used. Klarna has no tolerance towards facilitating transactions for individuals or entities that have been identified as being listed in relevant sanctions regimes and takes required measures to mitigate against this risk.

Klarna is committed to conducting business using ethical practices. Klarna stands against all forms of corruption, including offering or accepting bribes, kickbacks and other improper payments. Employee acceptance of monetary gifts, gift cards, or cash equivalents are never allowed. Klarna employees need to be particularly cautious when engaging with authorities and government officials. Klarna has systems in place to escalate potential issues and conflicts related to accepting or providing gifts and entertainment.

Moreover, Klarna has Anti-Money Laundering controls in place to identify customers who are Politically Exposed Persons, monitor their activity to identify suspicious activity, and file the appropriate reports with authorities. Relevant Klarna teams are responsible for monitoring the performance of Klarna's efforts to combat ML/TF and sanctions non-compliance and always taking action when required. Further, Klarna has periodic reporting, including standardized key performance indicators, that enable senior management and the Board to track the performance of Klarna's efforts within this area.

ML/TF employee training <sup>8,9</sup>	2023	2022	2021
Completion rate (% of total workforce)	86%	91%	90%

<sup>8</sup> The ML/TF employee training is part of the mandatory Compliance online training.

<sup>9</sup> The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

## Data privacy

### MATERIAL TOPIC

At Klarna, we place a high priority on consumer privacy. As a financial institution, we understand the immense responsibility that comes with handling personal data daily. We aim to use this data to enhance our customers' shopping experiences, while ensuring their privacy is not compromised. Our approach to data privacy is geared towards striving for compliance with all applicable regulations, whether they pertain to our consumers, our employees, or our business associates.

Our commitment to data privacy goes beyond compliance. We view evolving legislation as an opportunity to build trust with our consumers by offering transparency, flexibility, and choice in how their data is used. At Klarna, data privacy is not just a regulatory requirement—it's an integral part of our product and system development process.

In 2023, we have made significant strides in our data privacy initiatives. These include:

- Redesigning and updating our data privacy training material to make it more practical and relatable for our employees.
- Streamlining our privacy governance into a single, dedicated team for a more coherent and effective implementation of our privacy policies.
- Proactively monitoring the rapidly evolving regulatory landscape in the U.S. and swiftly updating our policies to reflect new regulations.
- Continuing our journey towards a data-driven approach to governance, facilitating informed decisions that benefit our customers.

We are committed to continuously improving our processes and tools to support consumer rights, ensuring that data privacy remains a cornerstone of our operations.

Data privacy employee training <sup>10</sup>	2023	2022	2021
Completion rate (% of total workforce)	92%	91%	96%

## Cybercrime and security

### MATERIAL TOPIC

Trust is core to our business. Klarna is committed to the security of our services and protecting our customers from cybercrime and fraud. We aim to have the best security in the industry and are focused on protecting the confidentiality of customers' information and ensuring our services' availability, reliability and integrity.

To prevent fraud and protect our customers, we:

- have robust processes to detect and respond to preemptive cyberattacks, risks, and threats including 24/7 monitoring to detect and respond to security incidents.
- actively push for collaboration on the topics of fraud and consumer protection across the financial industry. We hold membership with and are active participants in fraud prevention collaboration discussions with organizations such as **Cifas** as well as with local governments including the **UK fraud prevention agency** and the **Bedrägeriforum** organized by the Swedish Ministry of Finance.
- require all employees to complete annual security awareness training to ensure that they understand their role in helping combat security breaches and ensure their knowledge keeps pace with the ever-evolving cyber threat landscape.

■ strive to ensure that products are secure by design by following a Secure Software Development Life Cycle (SSDLC).

■ perform security testing through our dedicated in-house team, through a community of security researchers as part of our vulnerability disclosure policy and private bug bounty program delivered through HackerOne, and through independent third-party testing.

■ continue investing in internal resources and capabilities for proactive and reactive measures to better respond to fraud and cybercrime attempts.

While Klarna is under the supervision of relevant financial supervisory authorities and ensures compliance with all applicable regulations, we recognize it takes more than words to establish trust. We regularly conduct security audits and certifications based on globally recognized frameworks and certification bodies for third-party assurance of security, including ISAE 3402 and 3000 assurance reporting and PCI DSS certification.

Security awareness employee training <sup>11</sup>	2023	2022	2021
Completion rate (% of total workforce)	88%	92%	96%

<sup>10, 11</sup> The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

# Our people

2023 has been a year of both challenges and accomplishments for Klarna. At the outset, our primary focus was on improving profitability, which led us to a thorough review of business operations to ensure cost efficiency. By summer, our collective efforts paid off as we achieved profitability, meeting a challenging goal that brought all teams together in a shared achievement. This experience highlighted Klarna’s adaptability and collaborative spirit, demonstrating how our people are willing to step up and contribute wholeheartedly when it matters most.

In September, we celebrated our achievements during the Smooth week, a valued Klarna tradition, where we all gathered in Stockholm. Over two days, we engaged in team building activities, knowledge

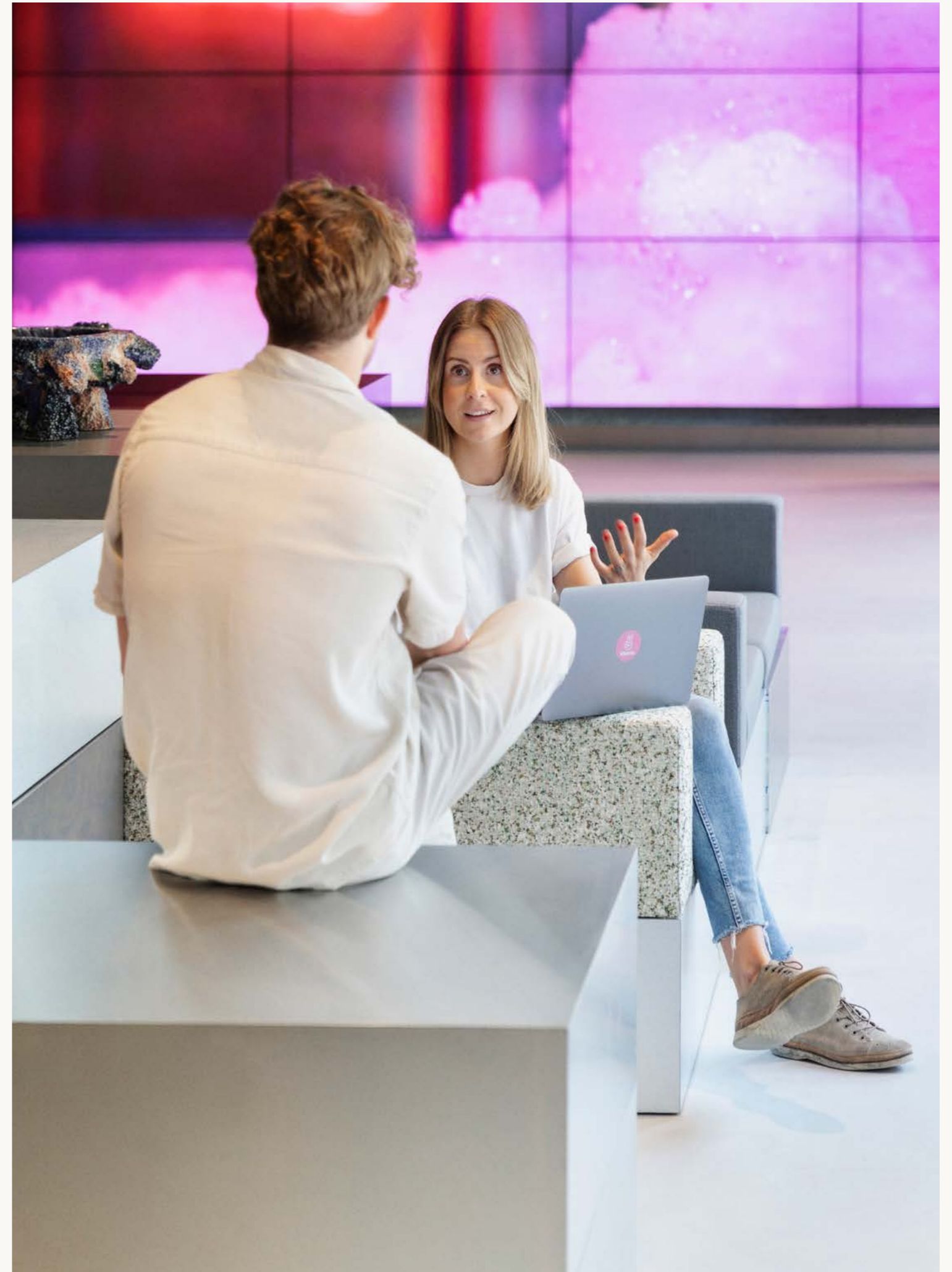
sharing and personal development, which significantly boosted engagement and enriched our organizational culture. This was a new and enriching experience for many of our employees, who hadn’t had this opportunity before due to the pandemic and prior economic constraints.

In November 2023, after discussions and negotiations, we decided to join the Employers of the Financial Sector (BAO), by January 1st, 2024, and reached an agreement with Finansförbundet to sign the Collective Bargaining Agreement (CBA), also including Swedish Confederation of Professional Associations (Saco). We believe that this action focuses on our employees’ best interests, and allows us to continue our work, to serve consumers better than any bank has ever done.

## Klarna’s Global Work Environment Policy

Our Global Work Environment Policy provides a proactive framework for maintaining a healthy and safe work environment for all Klarnauts. It contains routines and descriptions for all work activities related to the work environment and provides Klarnauts with knowledge and awareness of the applicable legislation, risks in the workplace, and how they can contribute to a healthy work environment. It also establishes important routines, such as regular employee engagement surveys and incident reporting. The policy is linked to local work environment policies, which set our conduct in local markets and include instructions on issues such as discrimination, health and well-being, and alcohol and drug use in the workplace.

In order to maintain compliance with our Global Work Environment policy, Klarna conducts an annual review of the policy in collaboration with the Work Environment Group (composed of Klarna employer representatives and employees). To ensure adherence to the policy by all employees, new hires are required to partake in work environment training. Additionally, all leaders undergo mandatory work environment training. Furthermore, Klarna organizes various annual initiatives, including lectures and the provision of tools, to address topics related to the work environment.





## Global talent management

At Klarna, we hire for a competence such as analytics, engineering or marketing at Klarna - not for a specific role. The competence structure equips us with the right skills to deliver the best products and services for our global consumers and retail partners. It allows us to allocate talent effectively to different teams and problem spaces. Our candidates come through various channels: sourced by recruiters, employee referrals, job post applications, internal moves, graduates, and interns.

At the beginning of the recruitment process, we identify which competence area best suits the candidate and where they want to develop their skills and abilities. Candidates are evaluated from both a behavioral and competence-related skills perspective, and Klarna always strives for an inclusive and unbiased process. Employees are able to move in and out of roles, based on e.g. company priorities or individual preferences.

## Performance

Klarna promotes a healthy feedback culture from the very beginning of each Klarnaut's journey. We celebrate and recognize continuous feedback and have more proactive and standardized processes across competences. Every Klarnaut is responsible for both giving and seeking feedback.

Klarnauts have the opportunity to reflect on their own performance based on the feedback they receive throughout the year. Going forward, there will be increased focus on feedback in different forms to further improve and standardize feedback.

## Onboarding

A great onboarding journey starts long before the first day in the office. To ensure the best possible start for new Klarnauts, the company has designed a Pre-boarding Learning Portal where new hires learn more about Klarna, such as its products, culture, and operating model so they feel part of Klarna even before they arrive on their first day.

In their first two days, all new hires are assigned a "Klarna Check-In" anytime self-study pathway on Looop, our digital learning platform, that dives deeper into topics such as Klarna's vision and mission, workplace and security rules, operating model, products, marketing and leadership principles. It is tailored to prepare new Klarnauts for the company's fast-paced and ever-changing environment and it is mandatory for all new employees.

Another key element of the Klarna onboarding journey is the buddy program. It consists of a peer buddy program that primarily supports new Klarnauts and integrates them into the Klarna culture. The program combines informative sessions with shadowing and regular opportunities for questions and feedback. By pairing new employees with more experienced colleagues in similar roles, Klarna's new employees benefit from the knowledge exchange at both a professional and social level. Our domains and competences provide additional onboarding programs covering the specifics of the respective organization.

#	2023			2022			2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Employees by level</b>									
Group Management Team	1	10	11	1	6	7	2	7	9
Manager	523	824	1,347	221	376	597	235	412	647
Non-Manager	1,116	1,727	2,843	2,126	2,711	4,837	2,272	2,855	5,127
<b>Employees by type</b>									
Permanent	1,632	2,550	4,182	2,331	3,068	5,399	2,460	3,230	5,690
Temporary	8	11	19	17	25	42	49	44	93
<b>Employees by region</b>									
Asia	0	2	2		4	4		3	3
Europe	1,411	2,356	3,767	1,986	2,804	4,790	2,090	2,934	5,024
North America	220	193	413	324	262	586	364	287	651
Oceania	9	10	19	38	23	61	55	50	105
<b>Employees by age</b>									
<30	554	726	1,280	1,139	1,132	2,271	1,375	1,350	2,725
31-50	1,073	1,788	2,861	1,188	1,913	3,101	1,118	1,866	2,984
>50	13	47	60	21	48	69	16	58	74
<b>Total</b>	<b>1,640</b>	<b>2,561</b>	<b>4,201</b>	<b>2,348</b>	<b>3,093</b>	<b>5,441</b>	<b>2,509</b>	<b>3,2749</b>	<b>5,783</b>

%	2023			2022			2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Employees by level</b>									
Group Management Team	0.1%	0.4%	0.3%	0.0%	0.2%	0.1%	0.1%	0.2%	0.2%
Manager	31.9%	32.2%	32.1%	9.4%	12.2%	11.0%	9.4%	12.6%	11.2%
Non-Manager	68.0%	67.4%	67.7%	90.5%	87.6%	88.9%	90.6%	87.2%	88.7%
<b>Employees by type</b>									
Permanent	99.5%	99.6%	99.5%	99.3%	99.2%	99.2%	98.0%	98.7%	98.4%
Temporary	0.5%	0.4%	0.5%	0.7%	0.8%	0.8%	2.0%	1.3%	1.6%
<b>Employees by region</b>									
Asia	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%
Europe	86.0%	92.0%	89.7%	84.6%	90.7%	88.0%	83.3%	89.6%	86.9%
North America	13.4%	7.5%	9.8%	13.8%	8.5%	10.8%	14.5%	8.8%	11.3%
Oceania	0.5%	0.4%	0.5%	1.6%	0.7%	1.1%	2.2%	1.5%	1.8%
<b>Employees by age</b>									
<30	33.8%	28.3%	30.5%	48.5%	36.6%	41.7%	54.8%	41.2%	47.1%
31-50	65.4%	69.8%	68.1%	50.6%	61.8%	57.0%	44.6%	57.0%	51.6%
>50	0.8%	1.8%	1.4%	0.9%	1.6%	1.3%	0.6%	1.8%	1.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Operating model

As of 2017, Klarna has a team-based and agile operating model that optimizes for high speed, flow, quality, and accountability. It evolved from a more traditional organizational structure to instead working in cross-functional teams of up to eight employees to maintain the agility and innovation found in start-ups. Each team consists of members from different competences who own and work on a specific business purpose within Klarna, which we call a 'problem space.' Teams take full accountability for creating and delivering value propositions to their main internal or external

stakeholders, aligned with Klarna's overall vision and strategy. For this to work smoothly, Klarna's workplace culture embraces change and continuous improvement.

To ensure an aligned vision throughout the company, teams follow Klarna's ways of working and best practices, which include a regular team meeting culture and check-ins with different internal stakeholders. While adhering to all relevant banking regulations and guidelines, team accountability and flexibility are at the core of how Klarna operates.

## Flexible working

Klarna genuinely believes in the power of regular face-to-face interactions to build close connections with team members. At the same time, we believe that remote teams work effectively, and combining both is key to success.

Therefore, Domain leads can decide on office days - it is up to each Domain and Domain Lead how they want to apply the flexible policy, and in some cases, some teams and domains have a best practice of coming to the office 1-3 days a week. While flexibility is key, we still ask Klarnauts to follow a number of recommended ways of working:

### ■ Upholding the operating model and team practices

Our operating model is core to how we operate and work, and includes daily stand-ups, weekly planning, team retros, and demos.

### ■ Have regular physical meetups

Teams not located in the same office are encouraged to regularly meet their team physically to enable brainstorming, creative problem-solving, and strengthening team spirit.

### ■ Teams in different time zones/ geographies

For teams that are spread across different time zones, the best practice is to have a workday that overlaps at least 4 hours.

### ■ Travel time to the office

Employees can work flexibly in their employment country (or State or Province in the case of US and Canada employees). Employees have to cover their travel costs to and from their main Klarna office themselves. The best practice is normally to live close to the office to enable employees to come in on office days.

### ■ Working abroad

At Klarna, we boast a dynamic and diverse global workforce. To accommodate our international context, we provide the flexibility for our employees to work abroad as part of the Klarna Work Policy. This policy allows for up to 20 workdays per calendar year for working in a location outside the country of employment.

## Leadership

Klarna operates in a high-change business environment with great demands on leadership, making competence and accountable leads at Klarna a key group in driving the company's growth.

**Klarna has eight leadership principles that all Klarnauts live by and that are together with the operating model part of the foundation of Klarna's culture:**



### Customer obsession

Leaders see the world from the customer's perspective. They understand that to keep trust, the customer needs to come above anything else.



### Deliver quality results

Leaders don't hesitate or make excuses. They deliver value consistently and don't shy away from delivering outside their normal responsibility.



### Courage

Leaders are not afraid to make decisions or engage in difficult conversations. They know that nothing comes of waiting, and they step up and make the call.



### Hire and develop exceptional talent

Leaders choose, coach, and fight to keep exceptional talent. They recognize others' talents and paths and don't hold them back.



### Challenge the status quo

Leaders embrace change and never miss an opportunity to disrupt the industry. They find simple solutions fast and experiment by adapting their ideas.



### Start small and learn fast

Leaders test their ideas to learn and improve tomorrow. They understand that constraints breed resourcefulness, self-sufficiency, and innovation.



### Detailed thinkers

Leaders know that disrupting the industry requires detailed thinking. They are a unique combination of ambitious, free-thinkers with meticulous eyes for detail.



### Let the team shine

Leaders understand the value of differences and build on the strengths of others. Leaders lead by example with integrity, earning trust and respecting others.

The purpose of these principles is to encourage accountability and continuous professional and personal growth for all Klarnauts. It is pivotal that first and foremost all leaders inspire, act as role models, and create conditions that enable employees and teams to thrive. This is especially important as Klarna operates in a unique way with having an accountable and competence line in place that requires different types of leaders.

To support those types of leaders each new lead must take the mandatory "Leading at Klarna" training that is delivered online for self-paced learning and offers role specific content, and covers topics such as how to run a development talk, good practices for leading remotely, and an introduction to diversity and inclusion.

Furthermore, leads have on-demand access to online resources that support them in their role, addressing a range of topics, including the art of feedback or creating and sustaining high-performing teams. In addition, the competences offer their leads tailored learning opportunities such as e.g. the Engineering onboarding series for leads.

In 2023, Klarna also ran the Leadership Mentoring program twice, which pairs up less experienced and more experienced leads and offers a guided 5 months growth journey for mentor and mentee, supported by recorded keynotes on topics of interest, i.e. coaching, decision making.

## Employee engagement

Nurturing the connection between the leadership team and Klarnauts is a priority, with several initiatives created to address any perceived gaps that could arise from a fast-paced work environment.

### Internal communication

Frequent and open dialogue in management chats, business updates, and group All-Hands meetings strengthen the bond and dialogue between management and employees while keeping the information flow as direct as possible. Additionally, all team and domain leads are encouraged to provide weekly updates on challenges and progress in their workstreams. This way, all Klarnauts can receive relevant updates from other work streams that may impact their own, streamlining the sharing of information and our efficiency as a company and celebrating shared success.

In 2023, Klarnauts were invited to dial into 11 “What’s cooking” sessions hosted by Klarna’s CEO Sebastian Siemiatkowski and other members of the Group Management Team. We have restructured our approach to company wide All Hands meetings, now organizing them on a bi-monthly basis under the title of ‘The Forge.’ To date, Klarnauts have participated in 14 of these engaging sessions.

### Employee engagement survey

In September 2023, we revamped our approach to measuring employee engagement by adopting a more interactive and nuanced methodology through the deployment of AI-driven chatbot. This tool involves a 20-minute dialog, entailing around 20 (open-ended and scaling) questions, with the ability to pose follow-up questions based on the employee’s preliminary responses.

This first version we focused on the following topics:

- overall experience
- overall engagement
- motivation (including feeling challenged)
- leads’ performance (AL and CL)

This transformation in our engagement survey method comes as a response to the recognized limitations of the static question format which often glosses over the depth of employees’ feelings and motivations. Our previous approach (traditional survey), despite having notable response rates, sometimes missed out on garnering precise insights due to its rigid format. This conversational format, paves the way for a more organic disclosure of employees’ thoughts, thus promising a more authentic understanding of their needs, motivations, and concerns. The objective remains to traverse beyond mere numerical scores and delve into the subtleties of employee engagement which can act as drivers for tangible organizational improvements.

As this is a significant deviation from our previous engagement survey methodology, the results garnered from the new tool are not directly comparable to the past data. While we will still present last year’s results for reference, we believe the findings from our new tool provide a more accurate representation of the current engagement landscape within Klarna.

In the tables below, we have displayed the engagement scores extracted from our new tool alongside the scores from last year’s survey. Through this evolved approach, we aspire to maintain an environment where Klarnauts feel heard and motivated, thus propelling a culture of continuous improvement and high engagement across the organization.

Employee engagement survey <sup>12</sup>	2023	2022	2021
Employees who took the annual employee engagement survey	68%	86%	81%
Overall satisfaction score from employee engagement survey	71%	64%	75%

<sup>12</sup> As this is a significant deviation from our previous engagement survey methodology, the results garnered from the new tool are not directly comparable to the past data.

## Learning and development

Klarnauts can grow in different ways at Klarna, for example, through learning in their role, participation in change projects, internal and external learning programs, and network participation. Klarna offers a wide range of learning available through our digital learning platform, Loop. Here, various subjects, such as leadership, presentation skills, communication, diversity and inclusion, and productivity are covered in courses for Klarnauts to take.

To enhance our learning culture, Klarna acknowledges the essence of transparency for our employees, and has heavily invested in building a comprehensive Klarna Wiki, where all information about Klarna is housed in one accessible location for all employees. Through open collaboration and by utilizing a wiki-based editing system, all Klarnauts can contribute to, edit, and provide input for our collective knowledge base.

Moreover, we provide several methods and tools to facilitate learning, i.e. use of educational budget for taking up formal learning and continued education. We also believe internal mobility is key to professional development, making it simple for employees to apply for new roles and tackle new problem spaces and challenges.

Training	2023	2022	2021
Number of mandatory trainings on Loop	31	36	34

## Diversity, inclusion and equity

Klarna believes that diversity, inclusion and equity are key factors in the company's continued success. At Klarna, differences are respected and highly valued, and the company strives to provide everyone with an equal-opportunity workplace that promotes diversity, inclusion and equity. With employees of more than 100 nationalities, we are proud of our strong cultural diversity.

We strive every day to become an even more diverse, inclusive and equitable organization. To achieve this, we have standardized interview procedures, diversified interviewers, conducted bias training, and introduced inclusive job descriptions.

Klarna fosters an inclusive work environment where everyone has equal access to opportunities, resources and rights. It values diversity and ensures fair treatment, irrespective of background, role, or level within the organization.

Klarna emphasizes equitable pay structures, ensuring that employees are fairly compensated for their work.

We continuously strive to improve our gender balance at all management levels, focusing on senior leadership positions where the gender balance is significantly skewed in favor of men. That includes a monthly review of our gender data, which not only looks at Klarna's gender balance as a whole but also highlights the balance in all domains and competencies and at all career levels, from entry to management. The frequent data reviews allow us to focus our efforts where they are most needed to ensure that we achieve gender balance in all areas of the company.

### Parental leave

Examining our gender data also sheds light on Klarna's parental leave practices in terms of financial impact and support for returning parents. We have market-leading parental leave policies available to all parents at Klarna, as we believe that parenthood should not have a negative impact on your career or salary.

We aim to ensure that no one is financially disadvantaged when taking parental leave by including them in salary reviews and promotion cycles during their absence. We also know that returning to work can be daunting, especially in a company as fast-paced as Klarna, where the constant pace of change can leave you feeling overwhelmed or left behind. We have put in place a number of support mechanisms that our returning parents say have really eased the transition back to work. One example is for our employees in the US, we provide a child support subsidy, a reimbursement up to \$250 per month for six months on child care expenses such as daycare.

### Discrimination and harassment

Discrimination, harassment, and bullying of any kind based on ethnic or national origin, citizenship, gender, sexual orientation, age, skin color, faith, religion, disability, marital status, or any other characteristic will not be tolerated at Klarna.

Klarna has clear company-wide internal policies detailing what constitutes inappropriate conduct that will not be tolerated and how to deal with it when such behavior occurs. An example is the Anti-Discrimination, Harassment, and Bullying Instruction which is based on national and international law governing discrimination. Klarna has also implemented various reporting mechanisms and whistleblowing tools that allow employees to report conduct or incidents while maintaining confidentiality and anonymity. Dedicated resources address these individual cases.

### Internal and external initiatives

To promote diversity, inclusion and equity within Klarna and in the technology and business world at large, we have supported a number of external initiatives that focus particularly on empowering women and employee resource groups.

Here are some of the 2023 highlights:

■ **Employee resource group: "Be you"**  
 "Be you" was the first employee resource group of its kind at Klarna, founded by employees in late 2017 to promote diversity and inclusion from the grassroots. Since then, the group has evolved into a community that provides a safe space for marginalized groups and allies and promotes diversity to ensure that all employees can be their authentic selves.

■ **Employee resource group: "LGBTQIA+"**  
 The LGBTQIA+ employee resource group provides an opportunity for the community to come together on a professional level and build a support network. The goal is to support each other and discuss the issues and experiences faced in the workplace and how this impacts career development and workplace inclusion.

■ **Employee resource group: "Women in Tech"**  
 Women in Tech is an initiative launched in 2019 to empower women in all areas of expertise at Klarna. The group strives to raise awareness of diversity issues, discuss daily challenges and improve the working environment for women at Klarna. In 2023 they hosted two "Klarna Women @ Work" panels.

■ **Initiative: "Women in Tech Stockholm"**  
 Klarna supports and collaborates with Women in Tech in Stockholm. This organization strives to inspire and educate women already in the tech industry to stay in the field by providing them with the network and experience of successful people from the wonderful world of technology and media.

■ **Initiative: Collaboration with Kodcentrum**  
 In 2023, Klarna teamed up with Kodcentrum, a non-profit that introduces young people – primarily girls and those from socio-economically challenged areas – to programming and digital creation, with the aim of giving them the opportunity to explore the exciting world of engineering through a hands-on coding course at our headquarters in Stockholm.

■ **Initiative: "Diversity Charter (NL)"**  
 To act as a catalyst for improving the current state of diversity and inclusion in the Netherlands, Klarna has been a signatory to the Diversity Charter since 2021. The charter is part of the Dutch Social and Economic Council (SER) infrastructure that actively supports companies in developing, implementing, and monitoring their diversity plans.

Gender split	2023		2022		2021	
	Women	Men	Women	Men	Women	Men
Overall gender split	39.0%	61.0%	43.2%	56.8%	43.4%	56.6%
New hires	34.5%	65.4%	42.6%	57.4%	47.4%	52.6%
Group Management Team	9.1%	90.9%	14.3%	85.7%	22.2%	77.8%
Managers	38.8%	61.2%	37.0%	63.0%	36.3%	63.7%
Non-Managers	39.3%	60.7%	44.0%	56.0%	44.3%	55.7%

Employees who took parental leave	2023 Women	2023 Men	Total
Total employees <sup>13</sup>	2,577	3,532	6,109
Of which took parental leave	420 (16.30%)	392 (11.10%)	812 (13.29%)

<sup>13</sup> This statistic is higher than other figures in this report since it includes all employees who at some point during 2023 worked at Klarna.

## Health and safety

### People

A healthy work environment leads to healthy employees and increased well-being and forms successful business results. For that reason, Klarna prioritizes employees' health and safety by creating a safe, healthy, and productive workplace. We aim to enable a healthy lifestyle for all Klarnauts and offer various health benefits, such as wellness allowances, flexible working hours, parental benefits, and health and rehabilitation insurance. Locally adapted health and safety training is available in Klarna's internal training program in several countries, covering local rules and routines.

### Offices

Klarna mitigates and minimizes workplace-related risks associated with the physical office environment through appropriate health and safety measures. Each Klarna office also has appropriate plans in place for emergencies, and local safety teams operate with systematic fire prevention management. Ongoing initiatives include first aid and Cardiopulmonary Resuscitation (CPR) training, as well as annual evacuation training for employees.

Some Klarna offices provide indoor parking for bicycles, this is depending on the landlord and the offering in the property.

## Compensation and benefits

Klarna has a remuneration structure that recognizes the importance of balanced but differentiated remuneration based on business and local market needs, as described in our Remuneration Policy. The objective of the remuneration structure is to support the ability to attract and retain talent in any position, promote equal and fair treatment, and ensure that our remuneration is consistent with efficient risk management and compliant with existing regulations.

We work with cash and equity-based compensation and perks and benefits to create an attractive total compensation offering. Klarna's benefits package includes, e.g., insurance benefits, pension contributions and health insurance (where applicable), parental leave, and wellness benefits (e.g. gym memberships). Depending on local market practices, we may also offer benefits such as meal vouchers and catered breakfasts, etc.

### Gender pay gap

Our Remuneration Policy supports equal and fair treatment of all Klarnauts and applies the principle of non-discrimination. Equal treatment

of all, regardless of gender, is a cornerstone in determining compensation. Differences in remuneration are analyzed and addressed annually in all our locations to ensure that remuneration decisions are made based on performance, skills, and contribution without taking other factors into account.

### Restricted stock units (RSUs)

An important part of Klarna's total compensation offering is the long-term element in the form of restricted stock units (RSUs). They enable our employees to become owners of the company and invest in Klarna's financial success and continued growth. RSUs are a "promise" to receive a certain number of Klarna shares in the future, contingent on continued employment at Klarna.

While in many other companies share compensation is usually limited to executives or management employees, at Klarna we aim for broad-based share ownership with many RSU program participants in all countries and all employee groups, except for entry-level positions.

Compensation and benefits	2023	2022	2021
Number of employees participating in RSU program	3,956 (94.17%)	4,678 (85.98%)	3,773 (67.40%)

# Commitment to human rights

Human rights are basic rights for individuals. They form the foundations for freedom, justice, and peace. They apply equally and universally in all countries, irrespective of the legal framework.

As a global company, we have a clear responsibility to support governments and civil society groups in ensuring human rights are upheld and respected in all the countries we operate in. Klarna firmly believes that, although governments have the primary duty to protect and ensure the fulfillment of human rights, business entities have a responsibility to respect human rights and can play a positive role in the communities where they operate.

Klarna complies with all relevant international legal obligations and all relevant local legal obligations in the countries in which it operates. We also work to protect human rights in our own operations through our internal policies and procedures regarding the treatment of employees, as well as by ensuring compliance from both retail partners and suppliers.

Klarna respects employee human rights as established in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, including non-discrimination, prohibition of child and forced labor, as well as safe and healthy working conditions. We offer equal opportunities and equal rights to all, irrespective of national or ethnic origin, religion or belief, age, gender or gender identity or expression, sexual orientation, or disability.

During 2023, we reviewed and updated internal policies, instructions, and governance, which requires employees to raise concerns regarding any identified or suspected non-compliance, as well as confirms that employees will not suffer any detriment for raising such concerns.

## Modern slavery and human trafficking

Klarna is committed to ensuring that our business and supply chains are free from modern slavery. Klarna takes a zero-tolerance approach to modern slavery and will not knowingly support or deal with any business or supplier involved in such practices. For more information, read our Modern Slavery and Human Trafficking Statement [here](#).

## The Finance Coalition

Klarna is part of the Finance Coalition in Sweden (Finanskoalitionen), led by ECPAT Sweden, a children's rights organization working to combat the sexual exploitation of children. The Finance Coalition is made up of banks and payment providers in Sweden with the specific aim of preventing and stopping payments that facilitate the sexual exploitation of children in Sweden.

# Supply chain

In 2023, Klarna purchased goods and services worth SEK 10B from 2,161 suppliers. We recognize that our purchasing activities not only have an impact on the environment but also on people within our supply chain and communities in the suppliers' markets. To ensure that our suppliers share Klarna's values

and the common goal of operating in an ethical and law-abiding manner, we introduced our Supplier Code of Conduct in 2021 and started a supplier risk identification process in 2022, which is an iterative process that continued in 2023.

## Supplier Code of Conduct

Klarna's **Supplier Code of Conduct** articulates a vision of responsible business behavior. It sets forth the principles that we expect our suppliers and their subcontractors to abide by in their business relationship with Klarna and promotes lawful, professional, and fair practices that integrate respect for human rights, business ethics, and the environment. Klarna supports adherence to the supplier code of conduct principles through essential training, awareness, and operational control.

Since its introduction at the end of 2021, we have begun to implement the Code in our procurement process. New suppliers should now sign the Supplier Code of Conduct as part of their contract with Klarna while existing suppliers sign the Code when renewing their contracts.

## Supplier risk assessment

Climate change and modern slavery were identified as two key supply chain risks in our 2022-2023 ESG risk assessment. Climate change, especially acute physical risks such as extreme weather events, can disrupt Klarna's value chain by impacting our suppliers and subcontractors, for example in the transportation and distribution of goods. Modern slavery risks may, but are not expected to, appear in Klarna's indirect supply chain.

As a result of the ESG risk assessment, we have developed a supplier risk assessment that examines the inherent risk of modern slavery and climate change based on publicly available information. We used the following sources as inputs to assign a supplier risk rating (low, medium, or high) depending on the product or service being procured:

### Modern slavery

Global Slavery Index, US Bureau of International Labor Affairs (ILAB) List of Goods Produced by Child Labor or Forced Labor, and guidelines from Walkfree Foundation, International Labor Organization, Anti-Slavery International, and Anti-Slavery Australia.

### Climate change

**Climatewatchdata.org** for absolute country emissions (or "total CO2e") and **Worldbank.org** for CO2e emissions per capita.

Assessing the risks of modern slavery and climate change helps Klarna mitigate its legal, financial, and operational risks. The risk assessment has been integrated into the procurement process for Klarna employees when sourcing a product or service. The risk assessment enables contract owners to understand the ESG risk of the companies and countries from which they source goods and services. The inherent risk score encourages the contract owner to engage with relevant Klarna teams to understand how to assess the high risks of modern slavery and climate change and therefore whether further due diligence and monitoring are required.



# Community engagement

We strive to bring about positive change in the communities where we operate by supporting organizations that represent both Klarna’s values and those of our employees. We have and created programs to help people through financial support and using Klarna services. Here are some of the highlights of our community engagement in 2023:

## Angel City Football Club

This year, Klarna continues its **partnership** with Angel City FC (ACFC) of the National Women’s Soccer League in Los Angeles, United States. The partnership is rooted in making the ACFC fan experience smoother while also positively impacting the Los Angeles community at large. In 2023, ACFC and Klarna created their second exclusive merchandise collection. The collection, made in collaboration with Suay Sew Shop, features items made entirely from upcycled and recycled materials - a windbreaker, bucket hat and fanny pack - with each item incorporating fabric from a custom tifo (large banner created by the club’s supporters) displayed by ACFC supporters at their inaugural game.

ACFC and Klarna continue their commitment to clothing donations to the Downtown Women’s Center. Building on last year’s community partnership, 10% of the merchandise sales will go to supporting the Downtown Women’s Center’s social enterprise, MADE by DWC Resale Boutique, which focuses on promoting a circular economy of sustainable fashion while empowering women in Los Angeles to combat homelessness through employment. Klarna further supported the LA community and sustainable shopping habits by matching this donation of sales.

In addition, in order to promote the circular economy, Klarna hosted two clothing donation events during games, and during the last game of the season collected 8,783 items.



**Klarna.**





### Chicago Bulls

In 2023, we worked with the Chicago Bulls and G.E.A.R. to show up in the local community to upcycle Bulls jerseys and pink basketballs to members of Marshall High School thereby giving

them a second life and promoting a circular economy. Bulls legend Kendall Gill and Bulls Youth coaches led a clinic at the school for the players to practice in the off-season.

### Cancerfonden

Cancerfonden and Klarna agreed to a long-term strategic collaboration that began in the first quarter of 2020. The main driver for Cancerfonden was to explore new technologies and alternative tech platforms to modernize and digitize the donor experience. To support Cancerfonden in their important work, Klarna applied a not-for-profit pricing model to cover the structural costs of each transaction. Cancerfonden has integrated Klarna for its gift shop and all donation touchpoints on

its website, simplifying the process for people to donate online and even become monthly donors. Further, since 2021, Klarna's QR-code has facilitated donations at Cancerfonden's annual fundraiser "Tillsammans mot Cancer". In connection with this annual event, Klarna has provided Cancerfonden with marketing placements in the Klarna app pro bono to engage with potential donors through articles, push notifications, and social channel advertising.

### Mighty Hoopla 2023

In 2023, Klarna sponsored Mighty Hoopla Festival, a pop festival in the UK that is a flagship event in the LGBTQ+ calendar uniting the community through music, fashion and inclusivity. As the official payments partner for the festival for a third year, Klarna added value to the community with free face

painting and giveaways for Mighty Hoopla festival go-ers, as well as at Brockwell Bounce, London's biggest free festival for children, in the days leading up to Mighty Hoopla. Paid media strategies in the run up and during the festival supported local LGBTQ+ creators and publishers (Attitude Magazine).



# Political advocacy

As a leading global business, we are responsible for engaging transparently and ethically with political and policy stakeholders. We believe it is important to continue to improve our business and the global digital economy in the best interests of our consumers and retail partners. We believe it is important to engage with policymakers debating policy and regulatory issues relevant to Klarna and our stakeholders and speak to trade associations, think tanks, consumer groups, governments, and legislatures in the countries where we operate.

In our day-to-day processes and the engagement we do, we make sure to always operate according to the highest ethical standards and Klarna's **core values**. We put our customers and their interests at the heart of everything we do and constantly strive to inspire innovation and transparency.

In some of the countries where Klarna operates, we use public affairs agencies who support us by providing monitoring and commissioned strategic advice. We apply the same high ethical standards when engaging with agencies and expect them to do the same.

Spend on public affairs activities	2023	2022	2021
Total (SEK)	12.95M	34.1M	19.1M

## Political contributions

Klarna is not a politically affiliated organization, nor does it support political parties through donations or otherwise.

## Memberships

To continue improving our business in the best interest of consumers, we engage with several trade associations.

### EU:

- European Payment Institutions Federation
- European Third Party Providers Association
- European Tech Alliance
- Ecommerce Europe
- European Fintech Association
- European Digital Payments Industry Alliance
- Swedish FinTech Association
- Swedish Tech Alliance
- Stockholm's Chamber of Commerce
- Nordic Payments Council
- Danish Chamber of Commerce
- Vereniging van Financieringsondernemingen Nederland
- Fédération Bancaire Française
- France Fintech
- Bitkom
- Bevh
- Swedish Chamber of Commerce for Germany

### UK:

- UK Finance
- Innovate Finance
- Swedish Chamber of Commerce for the UK

### USA:

- Financial Technology Association
- Financial Health Network

### Canada:

- Canadian Lenders Association

### Australia:

- Australian Finance Industry Association

# Global tax commitment

Klarna is committed to paying its fair share of taxes and we will always strive to pay and report what is fair and reasonable. Achieving a fair tax level means that Klarna's tax positions are aligned with our business operations and support genuine commercial activity that complies with applicable tax law and Klarna's ethics and policies.

## Our commitments

- We always aim to apply the spirit as well as the letter of the law in all territories in which we operate.
- We do not engage in any aggressive tax planning or tax avoidance. We define aggressive tax planning as transactions that are carried out solely or with the principal purpose of avoiding tax. We define tax avoidance as tax planning that frustrates or runs counter to the intention or spirit of the law for the purpose of reducing a tax burden, without being strictly illegal.
- We do not artificially transfer profits into a low-tax jurisdiction.
- In dealings with tax authorities, we engage proactively, constructively and transparently, and in a timely manner.

## Our business

Taxes are one of many considerations in how we run and organize our business. This is common to all businesses with a global scale. When tax is a factor in deciding where or how we do business, the decisions we make are consistent with our tax commitments and policy, as well as Klarna's ethics. Profits are taxed where the economic activity that generates them takes place, in accordance with international transfer pricing rules. Transactions that artificially transfer profits into a low-tax jurisdiction are not in line with our commitments, our internal policy or our ethics.

## Low-tax territories

Klarna does not have material business operations in low-tax jurisdictions. All profits generated in the Klarna corporate group are subject to corporation tax at the level required by the tax residence of the relevant subsidiary.

## Transparency and reporting compliance

Klarna is committed to meeting the heightened expectations of transparency in respect of its tax management. We shall make the best effort to comply with local requirements and disclose all relevant information in accordance with applicable tax legislation in all jurisdictions where business is carried out. At the same time, Klarna shall always consider external and internal rules on data protection and confidentiality. We are committed to fulfilling our reporting obligations to tax authorities relating to both our own obligations and customer information.

This covers local reporting and adherence to third party requests as well as international exchange of information according to the multilateral Convention on Mutual Administrative Assistance in Tax Matters, The United States' Foreign Account Tax Compliance Act (FATCA), and the Organisation for Economic Co-operation and Development's Common Reporting Standard (CRS) and other initiatives designed to foster greater transparency.

Klarna also complies with the Arm's Length Principle as defined in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and included in Article 9 of the OECD Model Tax Convention. Furthermore, in line with the UK Finance Act 2016, Schedule 19 part 2, a UK tax strategy is published in relation to our UK activities.

# Corporate Governance



# Corporate Governance

## About Klarna

Klarna Holding AB ('Klarna') (corporate registration no. 556676-2356) is a Swedish public limited liability company. Its subsidiary, Klarna Bank AB, is 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.<sup>14</sup>

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).

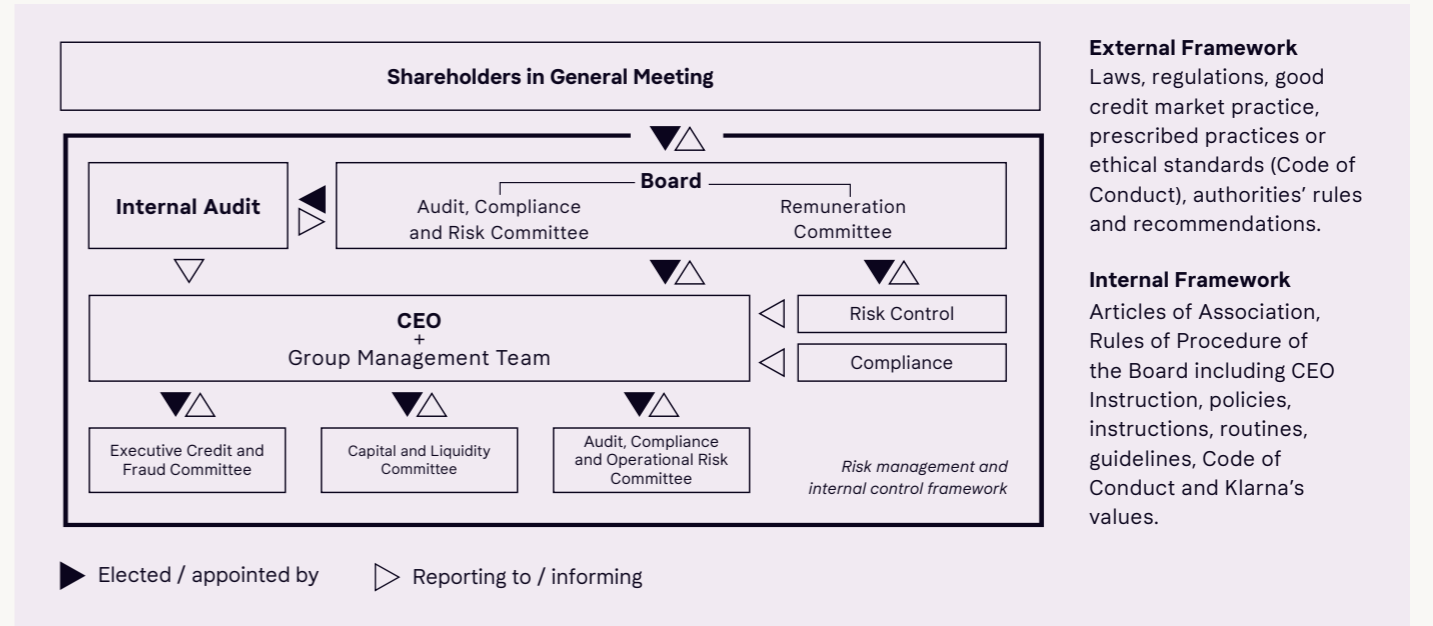
When signing the annual accounts on February 27, 2024, the Board of Directors also approved the Corporate Governance Report.

## 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.



**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.

## 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.

<sup>14</sup> The categorization aims to reflect Klarna's systematic importance and is based on its size, complexity and scope of activities.

## 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/](http://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<sup>15</sup> by the Board of Directors and its committees as well as the attendance of the individual Board members:

	KHAB Board of directors	KBAB Board of directors	Audit, Compliance and Risk Committee	Remuneration Committee	Independence in relation to the Company	Independence in relation to significant shareholders
<b>2023</b>						
Number of meetings	24	14	9	5		
(of which are email resolutions)	17	7	0	3		
<b>Michael Moritz</b>	24	14	-	5	No	Yes <sup>16</sup>
<b>Sebastian Siemiatkowski</b>	24	14	-	-	No	No
<b>Sarah Smith</b>	24	14	9	5	Yes	Yes
<b>Lise Kaae</b>	24	14	9	-	Yes	No
<b>Mikael Walther</b>	24	14	9	-	Yes	No
<b>Omid Kordestani</b>	24	14	-	5	Yes	Yes
<b>Roger W. Ferguson Jr.</b>	24	14	-	-	Yes	Yes
<b>Matt Miller</b>	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

<sup>15</sup> As of December 29, 2023.

<sup>16</sup> 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
<p><b>“Risk ownership”</b> <b>1st line of defence</b></p> <p>Owns risk and risk management activities.</p> <p>Performs necessary controls to secure acceptable risk exposure.</p>	<p><b>“Control functions”</b> <b>2nd line of defence</b></p> <p>Establishes policies and framework, provides advice, facilitates risk assessment and independent control including reporting of adherence to risk appetites, limits and frameworks.</p>	<p><b>“Risk assurance”</b> <b>3rd line of defence</b></p> <p>Tests, validates and assess efficiency in governance, risk management and internal control processes and activities.</p>

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 SEK M	FY23	FY22	FY23 YoY
<b>Gross merchandise volume</b>	<b>980,892</b>	<b>837,285</b>	<b>17%</b>
Transaction and service revenue	19,798	15,403	29%
Interest income from operating activities	3,707	3,934	(6)%
<b>Total revenue</b>	<b>23,504</b>	<b>19,336</b>	<b>22%</b>
Processing and servicing	(5,700)	(5,165)	10%
Consumer credit losses	(3,766)	(5,563)	(32)%
Funding costs	(2,356)	(1,327)	78%
<b>Transaction costs</b>	<b>(11,822)</b>	<b>(12,055)</b>	<b>(2)%</b>
<b>Gross profit</b>	<b>11,682</b>	<b>7,281</b>	<b>60%</b>
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
<b>Operating expenses</b>	<b>(14,887)</b>	<b>(17,755)</b>	<b>(16)%</b>
<b>Operating result</b>	<b>(3,204)</b>	<b>(10,474)</b>	<b>69%</b>
Restructuring costs	665	501	33%
Share-based payments	462	523	(12)%
Depreciation and amortization	1,699	1,639	4%
<b>Adjusted operating result</b>	<b>(378)</b>	<b>(7,811)</b>	<b>95%</b>
Income tax	665	34	1,856%
<b>Net result for the period</b>	<b>(2,539)</b>	<b>(10,440)</b>	<b>76%</b>
<b>Key ratios</b>			
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 SEK M	FY23	FY22
<b>Revenue (Management view)</b>	<b>23,504</b>	<b>19,336</b>
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
<b>Total net operating income (Statutory financial accounts)</b>	<b>20,629</b>	<b>16,703</b>

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

\* 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 SEK M	FY23	FY22
<b>Gross profit (Management view)</b>	<b>11,682</b>	<b>7,281</b>
Operating expenses	(14,887)	(17,755)
<b>Operating result (Statutory financial accounts &amp; Management view)</b>	<b>(3,204)</b>	<b>(10,474)</b>

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 SEK M	FY23	FY22
<b>Operating result</b>	<b>(3,204)</b>	<b>(10,474)</b>
Restructuring costs	665	501
Share-based payments	462	523
Depreciation and amortization*	1,699	1,639
<b>Adjusted operating result</b>	<b>(378)</b>	<b>(7,811)</b>

**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 financials



## Five Year Summary, Group

Amounts in SEKm	2023	2022	2021	2020	2019
<b>Income statement</b>					
Total net operating income	20,629	16,703	13,948	10,094	7,202
Operating result	(3,204)	(10,474)	(6,595)	(1,538)	(1,044)
Net result for the year	(2,539)	(10,440)	(7,123)	(1,305)	(868)
<b>Balance sheet</b>					
Loans to credit institutions	4,502	3,818	5,048	2,620	1,913
Loans to the public	86,108	73,983	62,085	41,718	29,655
All other assets	47,326	47,424	39,729	17,482	8,321
<b>Total assets</b>	<b>137,936</b>	<b>125,225</b>	<b>106,862</b>	<b>61,820</b>	<b>39,889</b>
Liabilities to credit institutions	1,636	2,829	713	2,415	4,940
Deposits from the public	97,096	81,470	59,672	30,835	12,288
All other liabilities	17,125	16,730	21,957	14,235	13,006
Total equity	22,079	24,196	24,520	14,335	9,655
<b>Total liabilities and equity</b>	<b>137,936</b>	<b>125,225</b>	<b>106,862</b>	<b>61,820</b>	<b>39,889</b>
<b>Key ratios and figures<sup>1</sup></b>					
Return on equity	(13.8)%	(43.0)%	(33.9)%	(12.8)%	(14.4)%
Return on assets	(1.9)%	(9.0)%	(8.4)%	(2.6)%	(2.5)%
Debt/equity ratio	4.7	3.8	3.3	3.2	3.7
Equity/assets ratio	16.0%	19.3%	22.9%	23.2%	24.2%
Own funds (Total capital) <sup>2</sup>	12,560	15,548	19,855	13,530	8,448
Capital requirement <sup>2</sup>	5,743	5,487	4,947	3,391	2,116
Total capital ratio <sup>2</sup>	17.5%	22.7%	32.1%	31.9%	31.9%
Average number of full-time equivalents <sup>3</sup>	4,972	6,011	4,789	3,238	2,248

<sup>1</sup> See "Definitions and Abbreviations" for definitions of how the ratios are calculated.

<sup>2</sup> 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) and its subsidiaries. All subsidiaries are fully consolidated in the Group.

<sup>3</sup> Number of employees (headcounts) as at December 31, 2023 amounted to 4,201 (5,441).

## Income Statement, Group

Amounts in SEKm	Note	2023	2022
Interest income	5	4,845	4,125
Interest expenses	6,7	(2,860)	(1,050)
<b>Net interest income</b>		<b>1,985</b>	<b>3,075</b>
Commission income	8	17,826	13,714
Commission expenses	9	(1,003)	(724)
Net result from financial transactions	10	(150)	(1,050)
Other operating income		1,971	1,688
<b>Total net operating income</b>		<b>20,629</b>	<b>16,703</b>
General administrative expenses	7, 11, 12	(17,409)	(19,820)
Depreciation, amortization and impairment of intangible and tangible assets	7, 13	(2,392)	(1,639)
<b>Total operating expenses before credit losses</b>		<b>(19,801)</b>	<b>(21,459)</b>
<b>Operating result before credit losses, net</b>		<b>828</b>	<b>(4,756)</b>
Credit losses, net	14	(4,032)	(5,718)
<b>Operating result</b>		<b>(3,204)</b>	<b>(10,474)</b>
Income tax	15	665	34
<b>Net result for the year</b>		<b>(2,539)</b>	<b>(10,440)</b>
<b>Whereof attributable to:</b>			
Shareholders of Klarna Holding AB (publ)		(2,421)	(10,339)
Non-controlling interests		(166)	(145)
Additional Tier 1 capital holders		48	44
<b>Total</b>		<b>(2,539)</b>	<b>(10,440)</b>

## Statement of Comprehensive Income, Group

Amounts in SEKm	2023	2022
<b>Net result for the year</b>	<b>(2,539)</b>	<b>(10,440)</b>
<b>Items that may be reclassified subsequently to the income statement:</b>		
Exchange differences on translation of foreign operations	(178)	433
<b>Other comprehensive income for the year, net of tax</b>	<b>(178)</b>	<b>433</b>
<b>Total comprehensive income for the year</b>	<b>(2,717)</b>	<b>(10,007)</b>
<b>Whereof attributable to:</b>		
Shareholders of Klarna Holding AB (publ)	(2,599)	(9,907)
Non-controlling interests	(166)	(144)
Additional Tier 1 capital holders	48	44
<b>Total</b>	<b>(2,717)</b>	<b>(10,007)</b>

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
<b>Assets</b>			
Cash and balances with central banks		22,028	16,085
Treasury bills chargeable at central banks, etc.	17	7,267	10,713
Loans to credit institutions	18	4,502	3,818
Loans to the public	19	86,108	73,983
Bonds and other interest-bearing securities	20	506	864
Other shares and participations		345	338
Intangible assets	21	12,050	12,773
Tangible assets	7, 22	1,228	2,044
Deferred tax assets	15	282	395
Other assets	23, 24	2,775	3,189
Prepaid expenses and accrued income	25	845	1,023
<b>Total assets</b>		<b>137,936</b>	<b>125,225</b>
<b>Liabilities</b>			
Liabilities to credit institutions	26	1,636	2,829
Deposits from the public	27	97,096	81,470
Debt securities issued	28	651	1,676
Deferred tax liabilities	15	5	912
Other liabilities	7, 24, 29	11,972	11,074
Accrued expenses and prepaid income	30	3,618	2,653
Provisions	31	128	112
Subordinated liabilities	32	751	303
<b>Total liabilities</b>		<b>115,857</b>	<b>101,029</b>
<b>Equity</b>			
Share capital		3	3
Other capital contributed		42,092	41,569
Reserves		578	756
Additional Tier 1 instruments		276	532
Retained earnings		(18,545)	(8,432)
Net result for the year		(2,373)	(10,295)
<b>Total equity attributable to parent</b>		<b>22,031</b>	<b>24,133</b>
Non-controlling interests		48	63
<b>Total equity</b>		<b>22,079</b>	<b>24,196</b>
<b>Total liabilities and equity</b>		<b>137,936</b>	<b>125,225</b>

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 19 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 <sup>2</sup>	Additional Tier 1 instruments	Retained earnings	Net result	Total equity excl. non-controlling interests	Non-controlling interests	Total equity
<b>Balance as at January 1, 2023</b>	3	41,569	756	532	(8,432)	(10,295)	24,133	63	24,196
Reclassification	-	3	-	-	-	-	3	-	3
Transfer of previous year's net result	-	-	-	-	(10,295)	10,295	-	-	-
<i>Net result for the year</i>	-	-	-	-	-	(2,373)	(2,373)	(166)	(2,539)
<i>Other comprehensive income, net of tax</i>	-	-	(178)	-	-	-	(178)	-	(178)
<b>Total comprehensive income for the year</b>	-	-	(178)	-	-	(2,373)	(2,551)	(166)	(2,717)
New share issue	-	515	-	-	-	-	515	-	515
Share warrants	-	5	-	-	-	-	5	-	5
Share-based payments	-	-	-	-	332	-	332	-	332
Restricted stock units	-	-	-	-	-	-	-	162	162
Additional Tier 1 instruments <sup>1</sup>	-	-	-	-	(48)	-	(48)	-	(48)
Redeemed Additional Tier 1 instruments	-	-	-	(256)	(30)	-	(286)	-	(286)
Changes in non-controlling interests	-	-	-	-	(72)	-	(72)	(11)	(83)
<b>Balance as at December 31, 2023</b>	3	42,092	578	276	(18,545)	(2,373)	22,031	48	22,079

Amounts in SEKm	Share capital	Other capital contributed	Reserves <sup>2</sup>	Additional Tier 1 instruments	Retained earnings	Net result	Total equity excl. non-controlling interests	Non-controlling interests	Total equity
<b>Balance as at January 1, 2022</b>	3	32,280	324	506	(1,814)	(7,017)	24,282	73	24,355
Transfer of previous year's net result	-	-	-	-	(7,017)	7,017	-	-	-
<i>Net result for the year</i>	-	-	-	-	-	(10,295)	(10,295)	(145)	(10,440)
<i>Other comprehensive income, net of tax</i>	-	-	432	-	-	-	432	1	433
<b>Total comprehensive income for the year</b>	-	-	432	-	-	(10,295)	(9,863)	(144)	(10,007)
New share issue	-	9,289	-	-	-	-	9,289	-	9,289
Transaction costs	-	(19)	-	-	-	-	(19)	-	(19)
Share warrants	-	19	-	-	-	-	19	-	19
Share-based payments	-	-	-	-	481	-	481	-	481
Restricted stock units	-	-	-	-	-	-	-	128	128
Tax effect on Restricted stock units	-	-	-	-	(6)	-	(6)	-	(6)
Additional Tier 1 instruments <sup>1</sup>	-	-	-	276	(44)	-	232	-	232
Redeemed Additional Tier 1 instruments	-	-	-	(250)	-	-	(250)	-	(250)
Changes in non-controlling interests	-	-	-	-	(32)	-	(32)	6	(26)
<b>Balance as at December 31, 2022</b>	3	41,569	756	532	(8,432)	(10,295)	24,133	63	24,196

<sup>1</sup> 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.

<sup>2</sup> The reserves consist of exchange differences from foreign operations.

Equity is in its entirety attributable to the shareholders of Klarna Holding AB (publ), non-controlling interests and its Additional Tier 1 capital holders.

## Cash Flow Statement, Group

Amounts in SEKm	Note	2023	2022
<b>Operating activities</b>			
Operating result		(3,204)	(10,474)
Income taxes paid		(115)	(214)
<i>Adjustments for items in operating activities</i>			
Depreciation, amortization and impairment	7, 13	2,392	1,639
Gain/loss from disposal of shares in group companies		(8)	-
Share-based payments		535	954
Provisions excluding credit losses		6	19
Provision for credit losses		(608)	148
Financial items including unrealized exchange rate effects		(321)	670
<i>Changes in the assets and liabilities of operating activities</i>			
Change in loans to the public		(12,049)	(10,897)
Change in liabilities to credit institutions		(1,172)	1,828
Change in deposits from the public		16,727	21,234
Change in other assets and liabilities		6,367	(2,531)
<b>Cash flow from operating activities<sup>1</sup></b>		<b>8,550</b>	<b>2,376</b>
<b>Investing activities</b>			
Investments in intangible assets	21	(890)	(949)
Investments in tangible assets	22	(7)	(119)
Sales of fixed assets		16	-
Investments in business combinations	41	-	(3,578)
Divestment of shares in subsidiaries		8	-
<b>Cash flow from investing activities</b>		<b>(873)</b>	<b>(4,646)</b>
<b>Financing activities</b>			
New share issue		436	8,367
Share warrants		5	19
Issued Additional Tier 1 instruments		-	276
Redeemed Additional Tier 1 instruments		(286)	(250)
Debt securities, net	28	(837)	(7,479)
Subordinated liabilities, net	32	450	-
Change in non-controlling interests		-	(26)
Payment of principal portion of lease contracts	7	(441)	(350)
<b>Cash flow from financing activities</b>		<b>(673)</b>	<b>557</b>
<b>Cash flow for the year</b>		<b>7,004</b>	<b>(1,713)</b>
<b>Cash and cash equivalents at the beginning of the year</b>			
Cash flow for the year		7,004	(1,713)
Exchange rate diff. in cash and cash equivalents		(593)	713
<b>Cash and cash equivalents at the end of the year</b>		<b>24,170</b>	<b>17,759</b>
<b>Cash and cash equivalents include the following items</b>			
Cash and balances with central banks		21,784	16,085
Loans to credit institutions <sup>2</sup>		2,386	1,674
<b>Cash and cash equivalents</b>		<b>24,170</b>	<b>17,759</b>
Additional liquidity portfolio		7,774	11,577
<b>Total cash and liquidity</b>		<b>31,944</b>	<b>29,336</b>

<sup>1</sup> Cash flow from operating activities includes interest payments received and interest expenses paid, see note 37.

<sup>2</sup> SEK 2.4bn 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 Holding AB (publ), Corp. ID 556676-2356, 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 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 Holding AB (publ) and Group refers to Klarna Holding AB (publ) including its subsidiaries.

The consolidated financial statements and the Annual Report for Klarna Holding 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 Holding 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, Klarna Holding AB (publ), prepares the annual accounts in accordance with the Annual Accounts Act (ÅRL, 1995:1554). The accounting recommendation for legal entities RFR 2 amended by the Swedish Financial Reporting Board has also been applied. The Group's accounting principles are also applicable for the Parent Company unless otherwise described in this note or the notes for the parent.

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 Holding 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 Holding 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 19, 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 19, 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 38.

**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 21. 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 21 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 38.

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 or concentrations in exposure.

#### Risk Measurement and Exposure

Credit risk	31 Dec 2023	31 Dec 2022
Loan receivables, gross	94,690	82,625
Allowance for credit losses	(3,498)	(4,159)
<b>Loan receivables, net carrying amount</b>	<b>91,192</b>	<b>78,466</b>
of which: Loans to credit institutions	4,502	3,818
of which: Loans to the public	86,108	73,983
of which: Accrued income	582	665

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

31 Dec 2023						
Gross amounts	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
<b>Per region</b>						
Nordics <sup>1</sup>	16,776	1,435	240	-	370	<b>18,821</b>
DACH <sup>2</sup>	29,803	2,216	569	-	195	<b>32,783</b>
United States	21,086	779	311	-	315	<b>22,491</b>
United Kingdom	11,043	414	187	1	118	<b>11,763</b>
Other	8,122	369	201	-	140	<b>8,832</b>
<b>Total</b>	<b>86,830</b>	<b>5,213</b>	<b>1,508</b>	<b>1</b>	<b>1,138</b>	<b>94,690</b>
<b>Before due and per days past due</b>						
Before due	79,186	2,212	2	-	715	<b>82,115</b>
≤30 days	7,644	796	3	-	40	<b>8,483</b>
>30-60 days	-	1,336	3	-	34	<b>1,373</b>
>60-90 days	-	869	7	-	106	<b>982</b>
>90 days	-	-	1,493	1	243	<b>1,737</b>
<b>Total</b>	<b>86,830</b>	<b>5,213</b>	<b>1,508</b>	<b>1</b>	<b>1,138</b>	<b>94,690</b>

31 Dec 2022						
Gross amounts	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
<b>Per region</b>						
Nordics <sup>1</sup>	17,127	742	162	-	182	<b>18,213</b>
DACH <sup>2</sup>	26,473	1,025	881	-	301	<b>28,680</b>
United States	15,824	2,121	397	-	472	<b>18,814</b>
United Kingdom	8,471	1,693	208	1	136	<b>10,509</b>
Other	5,488	472	293	-	156	<b>6,409</b>
<b>Total</b>	<b>73,383</b>	<b>6,053</b>	<b>1,941</b>	<b>1</b>	<b>1,247</b>	<b>82,625</b>
<b>Before due and per days past due</b>						
Before due	68,751	2,508	152	-	920	<b>72,331</b>
≤30 days	4,632	1,545	14	-	64	<b>6,255</b>
>30-60 days	-	1,193	16	-	18	<b>1,227</b>
>60-90 days	-	702	30	-	10	<b>742</b>
>90 days	-	105	1,729	1	235	<b>2,070</b>
<b>Total</b>	<b>73,383</b>	<b>6,053</b>	<b>1,941</b>	<b>1</b>	<b>1,247</b>	<b>82,625</b>

<sup>1</sup> Sweden, Norway, Finland, and Denmark.

<sup>2</sup> Germany, Austria, and Switzerland.

For additional information on allowances on Loans to the public, see note 19.

**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<sup>1</sup>**

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)

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)

<sup>1</sup> 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<sup>1</sup>**

31 Dec 2023	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	53	(432)	55	40	4	(280)

31 Dec 2022	SEK	EUR	USD	GBP	Other	Total Exposure
Change in Economic Value	154	(420)	80	35	10	(141)

<sup>1</sup> The amounts are presented in SEKm.

**Liquidity Risk***Definition*

The risk of the Group 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*

The Group 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**

31 Dec 2023	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
<b>Financial liabilities</b>						
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 <sup>1</sup>	567	-	-	84	-	651
Other liabilities <sup>2</sup>	10,201	117	163	975	127	11,583
Accrued expenses and prepaid income	2,722	227	580	66	-	3,595
Subordinated liabilities <sup>1</sup>	11	-	-	-	740	751
<b>Total</b>	<b>46,706</b>	<b>13,869</b>	<b>38,860</b>	<b>15,010</b>	<b>867</b>	<b>115,312</b>

31 Dec 2022	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
<b>Financial liabilities</b>						
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 <sup>1</sup>	22	428	236	990	-	1,676
Other liabilities <sup>2</sup>	8,660	124	343	1,259	321	10,707
Accrued expenses and prepaid income	2,124	114	258	117	-	2,613
Subordinated liabilities <sup>1</sup>	-	-	-	-	303	303
<b>Total</b>	<b>43,924</b>	<b>9,504</b>	<b>24,704</b>	<b>20,842</b>	<b>624</b>	<b>99,598</b>

<sup>1</sup> Interest is included in the amounts for Debt securities issued and Subordinated liabilities.

<sup>2</sup> 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 a 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 the 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
Geographical breakdown		
- Germany	5,841	5,018
- United States	6,080	4,858
- Sweden	2,137	2,304
- United Kingdom	2,637	2,090
- Other countries	4,084	3,483
<b>Total net operating income less net result from financial transactions<sup>1</sup></b>	<b>20,779</b>	<b>17,753</b>
Income category		
- Retailer income	12,168	9,550
- Consumer income	5,201	5,447
- Other income <sup>2</sup>	3,410	2,756
<b>Total net operating income less net result from financial transactions<sup>1</sup></b>	<b>20,779</b>	<b>17,753</b>
Non-current assets		
- Sweden	11,432	16,202
- Germany	3,292	3,544
- United States	1,681	2,280
- Other countries	1,235	1,418
<b>Total non-current assets<sup>3</sup></b>	<b>17,640</b>	<b>23,444</b>

<sup>1</sup> "Net result from financial transactions" is excluded from the income analysis since it is not applicable to a specific geography or income category.

<sup>2</sup> "Other income" includes marketing income and Klarna card interchange income.

<sup>3</sup> Non-current assets includes tangible assets, intangible assets, long term contract assets and bills and bonds of duration greater than 12 months.

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.

**Note 5 Interest income**

	2023	2022
Loans to credit institutions	506	33
Loans to the public (restated)	3,707	3,934
Other interest income	632	158
<b>Total</b>	<b>4,845</b>	<b>4,125</b>

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**

	2023	2022
Interest-bearing securities and chargeable treasury bills etc.	(202)	(156)
Liabilities to credit institutions	(140)	(83)
Deposits from the public	(2,356)	(669)
Debt securities issued	(49)	(73)
Subordinated liabilities	(59)	(13)
Other interest expenses	(54)	(56)
<b>Total</b>	<b>(2,860)</b>	<b>(1,050)</b>

Interest expense is calculated using the effective interest method.

**Note 7 Leases**

	2023	2022
Depreciation of right-of-use assets	(295)	(410)
of which: buildings	(292)	(406)
of which: cars	(1)	(2)
of which: other	(2)	(2)
Interest expense for lease liabilities	(43)	(45)
<b>Total right-of-use lease cost</b>	<b>(338)</b>	<b>(455)</b>
Expenses relating to short-term leases	(72)	(121)
Expenses relating to low-value assets	-	(5)
<b>Total short-term and low value leases</b>	<b>(72)</b>	<b>(126)</b>
<b>Right-of-use assets and lease liabilities</b>		
Carrying amount for right-of-use assets	1,003	1,636
of which: buildings	1,002	1,632
of which: cars	1	2
of which: other	-	2
Additions to right-of-use assets during the year	102	235
Disposals during the year	(50)	(19)
Impairments during the year	(342)	(95)
Revaluations during the year	(53)	381
Currency translation difference during the year	5	44
Lease liabilities	1,234	1,757

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.

2023						
Maturity	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

2022						
Maturity	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

**Note 8 Commission income**

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

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).

**Note 9 Commission expenses**

	2023	2022
Commission to partners	(771)	(635)
Other commissions	(232)	(89)
<b>Total</b>	<b>(1,003)</b>	<b>(724)</b>

**Note 10 Net result from financial transactions**

	2023	2022
Realized and unrealized movements in exchange rates	216	(44)
Gains from financial instruments	253	172
Losses from financial instruments	(603)	(667)
Realized and unrealized losses on shares held in listed and unlisted companies	(16)	(511)
<b>Total</b>	<b>(150)</b>	<b>(1,050)</b>

As of December 31, 2023, Klarna Bank AB (publ) had entered into derivatives with the gross nominal amount of SEK 60,960m (53,026m), see note 24.

**Note 11 Employees and personnel costs**

Average number of full-time equivalents	2023		2022	
	Total	whereof women	Total	whereof women
Sweden	2,327	989	2,997	1,304
Germany	1,115	377	1,305	454
United States	476	270	610	349
United Kingdom	324	150	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
France	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
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	-
<b>Total</b>	<b>4,972</b>	<b>2,080</b>	<b>6,011</b>	<b>2,589</b>

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

Salaries, other remuneration, social security and pension expenses	2023	2022
Salaries and other remuneration attributable to:		
Board and CEO	(32)	(24)
Other employees	(3,808)	(4,380)
<b>Total salaries and other remuneration</b>	<b>(3,840)</b>	<b>(4,404)</b>
Statutory and contractual social security expenses	(1,159)	(1,214)
of which: pension expenses	(272)	(282)
<b>Total salaries, other remuneration, social security and pension expenses</b>	<b>(4,999)</b>	<b>(5,618)</b>



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

2023					
Salaries and other remuneration to the board and senior management	Basic salary/fee	Variable remuneration <sup>4</sup>	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Ferguson	(1.3)	(1.6)	-	-	(2.9)
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	(1.2)	(1.2)	-	-	(2.4)
Sarah Smith	(1.6)	(1.3)	-	-	(2.9)
Matthew Miller <sup>1</sup>	-	-	-	-	-
Sebastian Siemiatkowski, CEO <sup>2</sup>	(16.0)	(5.9)	(0.9)	(0.8)	(23.6)
Other members of senior management (9) <sup>3</sup>	(82.1)	(25.8)	(0.6)	(4.6)	(113.1)
<b>Total</b>	<b>(102.2)</b>	<b>(35.8)</b>	<b>(1.5)</b>	<b>(5.4)</b>	<b>(144.9)</b>

<sup>1</sup> On December 29, 2023, the company appointed Matthew Miller to the Board.

<sup>2</sup> Variable remuneration includes SEK 2.4m related to an award for 2022.

<sup>3</sup> 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 9 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 4 existing roles, rather than in increase in senior employees.

<sup>4</sup> Variable remuneration includes cash-based variable remuneration and IFRS 2 expensed amounts for equity based programs.

2022					
Salaries and other remuneration to the board and senior management	Basic salary/fee	Variable remuneration <sup>2</sup>	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Ferguson	(1.3)	(3.0)	-	-	(4.3)
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	(1.2)	(1.7)	-	-	(2.9)
Sarah Smith	(1.3)	(1.9)	-	-	(3.2)
Sebastian Siemiatkowski, CEO	(11.5)	(0.2)	(0.7)	(0.8)	(13.2)
Other members of senior management (5) <sup>1</sup>	(55.9)	(4.2)	(1.9)	(4.6)	(66.6)
<b>Total</b>	<b>(71.2)</b>	<b>(11.0)</b>	<b>(2.6)</b>	<b>(5.4)</b>	<b>(90.2)</b>

<sup>1</sup> 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 2022, 9 individuals held these roles.

<sup>2</sup> 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<sup>1</sup> (6) amounts to SEK 197.1m (119.2m) and for Identified staff, 46 persons<sup>1</sup> (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 (173m) of the Identified staff figure, related to 46 (46) beneficiaries.

<sup>1</sup> 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		
	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
<b>Total</b>	<b>(97.6)</b>	<b>(44.4)</b>	<b>(142.0)</b>	<b>10</b>	<b>46</b>	<b>56</b>

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		
	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
<b>Total</b>	<b>(49.5)</b>	<b>(173.0)</b>	<b>(222.5)</b>	<b>9</b>	<b>46</b>	<b>55</b>

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<sup>1</sup> to the Group management team of 10 persons<sup>2</sup> (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).

<sup>1</sup> There has been no risk adjustment reduction made to deferred remuneration awards during 2023 or 2022.

<sup>2</sup> 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**

	2023	2022
<i>EY</i>		
Audit engagement	(21)	(18)
Audit related services	(1)	(1)
<b>Total</b>	<b>(22)</b>	<b>(19)</b>

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

	2023	2022
<b>Amortization and depreciation</b>		
Intangible assets	(1,255)	(947)
Tangible assets <sup>1</sup>	(432)	(537)
<b>Total</b>	<b>(1,687)</b>	<b>(1,484)</b>
<b>Impairment</b>		
Intangible assets	(332)	(48)
Tangible assets <sup>1</sup>	(373)	(107)
<b>Total</b>	<b>(705)</b>	<b>(155)</b>
<b>Total depreciation, amortization and impairment of intangible and tangible assets</b>	<b>(2,392)</b>	<b>(1,639)</b>

<sup>1</sup>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	2023	2022
<b>Loans to credit institutions</b>		
Increase in provisions	(80)	(32)
Reversal of previous provisions	81	27
<b>Total</b>	<b>1</b>	<b>(5)</b>
<b>Loans to the public</b>		
Realized loan losses, net of recoveries	(4,640)	(5,570)
Release in provisions to cover realized loan losses	4,643	4,873
Increase in provisions	(15,143)	(15,447)
Reversal of previous provisions	11,121	10,464
<b>Total</b>	<b>(4,019)</b>	<b>(5,680)</b>
<b>Financial guarantees and commitments</b>		
Increase in provisions	(95)	(99)
Reversal of previous provisions	81	66
<b>Total</b>	<b>(14)</b>	<b>(33)</b>
<b>Total credit losses, net</b>	<b>(4,032)</b>	<b>(5,718)</b>

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**

<b>Income tax expense</b>	<b>2023</b>	<b>2022</b>
<b>Current tax</b>		
Tax expense for the year	(171)	(122)
Adjustment of tax attributable to previous years	28	9
<b>Total</b>	<b>(143)</b>	<b>(113)</b>
<b>Deferred tax</b>		
Deferred tax	808	147
<b>Total</b>	<b>808</b>	<b>147</b>
<b>Reported income tax</b>	<b>665</b>	<b>34</b>
<b>Effective tax rate</b>	<b>2023</b>	<b>2022</b>
<b>Income before tax</b>	<b>(3,204)</b>	<b>(10,474)</b>
Income tax calculated in accordance with national tax rates applicable in each country	713	2,255
Non-taxable revenues	25	99
Non-deductible expenses	(423)	(184)
Taxable income not booked in profit or loss	(77)	(78)
Deductible expenses not booked in profit or loss	47	144
Unrecognized taxable losses	(361)	(2,204)
Effect of change in tax rate	3	-
Losses carried forward recognized this year	710	20
Adjustments of tax attributable to previous years	28	(18)
<b>Reported income tax</b>	<b>665</b>	<b>34</b>
<b>Effective tax rate</b>	<b>20.8%</b>	<b>0.3%</b>
<b>Deferred tax assets</b>	<b>2023</b>	<b>2022</b>
Losses carried forward	25	20
Allowance for credit losses	203	201
Share-based payments	6	2
Other	48	172
<b>Total</b>	<b>282</b>	<b>395</b>
<b>Deferred tax liabilities</b>	<b>2023</b>	<b>2022</b>
Intangible assets	4	854
Other	1	58
<b>Total</b>	<b>5</b>	<b>912</b>

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 (147m) profit in the income statement. Deferred tax assets have been recognized where the recognition criteria are met, of which SEK 710m (20m) 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 (22,465m) 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.

The following table illustrates in respect of what item, deferred tax assets have not been recognized:

<b>Group</b>	<b>Tax attributes not represented by a deferred tax asset in the Group - 2023</b>			
	<b>Tax losses</b>		<b>Deductible temporary differences</b>	
<b>Group company</b>	<b>Gross amount</b>	<b>Tax effect</b>	<b>Gross amount</b>	<b>Tax effect</b>
Klarna Australia Pty Ltd.	612	184	-	-
Klarna Bank AB	14,453	2,977	-	-
Klarna Bank AB, German branch	3,149	961	-	-
Klarna Bank AB, UK branch	281	70	-	-
Klarna Germany Holding GmbH	1,973	612	-	-
Klarna Inc.	-	-	491	119
Klarna Japan KK	13	3	-	-
Klarna MAS AB	43	9	-	-
Klarna New Zealand Ltd.	41	12	-	-
Klarna Securities AB	8	2	-	-
PriceRunner International AB	-	-	12	2
PriceRunner Ltd.	-	-	1	-
Sofort GmbH	98	30	-	-
<b>Unrecognized deferred tax assets as at December 31, 2023</b>	<b>20,671</b>	<b>4,860</b>	<b>504</b>	<b>121</b>

<b>Group</b>	<b>Tax attributes not represented by a deferred tax asset in the Group - 2022</b>			
	<b>Tax losses</b>		<b>Deductible temporary differences</b>	
<b>Group company</b>	<b>Gross amount</b>	<b>Tax effect</b>	<b>Gross amount</b>	<b>Tax effect</b>
Glazing LLC	94	23	-	-
Inspirock Inc	16	4	-	-
Klarna Australia Pty Ltd.	629	189	-	-
Klarna Bank AB	15,895	3,274	213	44
Klarna Bank AB, German branch	3,206	990	-	-
Klarna Bank AB, UK branch	276	52	-	-
Klarna Germany Holding GmbH	1,848	574	-	-
Klarna Holding AB	11	2	-	-
Klarna Japan KK	9	2	-	-
Klarna MAS AB	61	13	-	-
Klarna New Zealand Ltd.	31	9	-	-
Klarna Securities AB	13	3	-	-
Piggy LLC	13	3	-	-
Stocard GmbH	231	71	-	-
Stocard UK Ltd	23	4	-	-
Toplooks LLC	109	27	-	-
<b>Unrecognized deferred tax assets as at December 31, 2022</b>	<b>22,465</b>	<b>5,240</b>	<b>213</b>	<b>44</b>

**Note 16 Net result from categories of financial instruments**

	2023	2022
Financial instruments mandatory measured at fair value through profit or loss	(664)	733
Financial assets measured at amortized cost	18,599	12,083
Financial liabilities measured at amortized cost	(3,802)	(1,638)
Currency exchange gains/losses	529	(1,323)
<b>Total</b>	<b>14,662</b>	<b>9,855</b>

**Note 17 Treasury bills chargeable at central banks, etc.**

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

**Note 18 Loans to credit institutions**

	31 Dec 2023	31 Dec 2022
Loans to credit institutions	4,502	3,818
By currency		
- in SEK	277	230
- in EUR	869	821
- in NOK	-	54
- in USD	2,491	1,926
- in AUD	-	213
- in CHF	182	-
- in GBP	273	29
- in other currencies	410	545
<b>Total</b>	<b>4,502</b>	<b>3,818</b>

**Note 19 Loans to the public**

	31 Dec 2023	31 Dec 2022
Loans to the public	89,602	78,137
Allowance for credit losses	(3,494)	(4,154)
<b>Total</b>	<b>86,108</b>	<b>73,983</b>

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

	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
<b>Gross carrying amount as at January 1, 2023<sup>1</sup></b>	<b>68,895</b>	<b>6,054</b>	<b>1,940</b>	<b>1</b>	<b>1,247</b>	<b>78,137</b>
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)
<b>Gross carrying amount as at December 31, 2023</b>	<b>81,742</b>	<b>5,214</b>	<b>1,507</b>	<b>1</b>	<b>1,138</b>	<b>89,602</b>

	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
<b>Allowance as at January 1, 2023<sup>1</sup></b>	<b>(1,520)</b>	<b>(1,016)</b>	<b>(1,366)</b>	<b>-</b>	<b>(252)</b>	<b>(4,154)</b>
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
<b>Allowance as at December 31, 2023</b>	<b>(1,276)</b>	<b>(952)</b>	<b>(913)</b>	<b>-</b>	<b>(353)</b>	<b>(3,494)</b>

<sup>1</sup> 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.

	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
<b>Gross carrying amount as at January 1, 2022<sup>1</sup></b>	<b>58,185</b>	<b>4,626</b>	<b>1,664</b>	<b>1</b>	<b>1,053</b>	<b>65,529</b>
Additions from business combinations	-	-	-	-	36	36
New assets originated or purchased	1,012,754	1,250	128	-	11,568	1,025,700
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	(673)	(9)	(22)	-	(105)	(809)
<b>Gross carrying amount as at December 31, 2022</b>	<b>68,895</b>	<b>6,054</b>	<b>1,940</b>	<b>1</b>	<b>1,247</b>	<b>78,137</b>

	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
<b>Allowance as at January 1, 2022<sup>1</sup></b>	<b>(1,599)</b>	<b>(882)</b>	<b>(962)</b>	-	<b>(166)</b>	<b>(3,609)</b>
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
<b>Allowance as at December 31, 2022</b>	<b>(1,520)</b>	<b>(1,016)</b>	<b>(1,366)</b>	-	<b>(252)</b>	<b>(4,154)</b>

<sup>1</sup> The table shows month over month movements.

Loans with a contractual amount of SEK 2,504m (3,436m) that were written off during the year are still subject to enforcement activity.

## Note 20 Bonds and other interest-bearing securities

	31 Dec 2023	31 Dec 2022
Other borrowers	506	864
<b>Total</b>	<b>506</b>	<b>864</b>
- in SEK	506	864

## Note 21 Intangible assets

	Goodwill	Brands	Licenses	Capitalized development expenses	Other intangible assets	Total
<b>Purchase value as at January 1, 2023</b>	<b>6,855</b>	<b>1,202</b>	<b>80</b>	<b>3,817</b>	<b>3,165</b>	<b>15,119</b>
Additions	-	-	3	887	-	890
Sales/disposals	-	-	(3)	-	-	(3)
Reclassification	-	-	-	(1)	1	-
Currency translation difference	(24)	-	-	(2)	(24)	(50)
<b>Purchase value as at December 31, 2023</b>	<b>6,831</b>	<b>1,202</b>	<b>80</b>	<b>4,701</b>	<b>3,142</b>	<b>15,956</b>
<b>Amortization as at January 1, 2023</b>	-	<b>(65)</b>	<b>(64)</b>	<b>(1,418)</b>	<b>(650)</b>	<b>(2,197)</b>
Amortization for the year	-	(73)	(6)	(854)	(322)	(1,255)
Sales/disposals	-	-	2	-	-	2
Currency translation difference	-	-	-	4	19	23
<b>Amortization as at December 31, 2023</b>	-	<b>(138)</b>	<b>(68)</b>	<b>(2,268)</b>	<b>(953)</b>	<b>(3,427)</b>
<b>Impairment as at January 1, 2023</b>	-	<b>(82)</b>	-	<b>(67)</b>	-	<b>(149)</b>
Impairment for the year	(130)	-	(1)	(191)	(10)	(332)
Currency translation difference	-	-	-	2	-	2
<b>Impairment as at December 31, 2023</b>	<b>(130)</b>	<b>(82)</b>	<b>(1)</b>	<b>(256)</b>	<b>(10)</b>	<b>(479)</b>
<b>Carrying amount as at December 31, 2023</b>	<b>6,701</b>	<b>982</b>	<b>11</b>	<b>2,177</b>	<b>2,179</b>	<b>12,050</b>

	Goodwill	Brands	Licenses	Capitalized development expenses	Other intangible assets	Total
<b>Purchase value as at January 1, 2022</b>	<b>4,586</b>	<b>109</b>	<b>66</b>	<b>2,168</b>	<b>1,262</b>	<b>8,191</b>
Additions	-	-	14	928	7	949
Additions from business combinations	1,926	1,085	-	686	1,724	5,421
Sales/disposals	-	-	(1)	-	-	(1)
Reclassification	(35)	-	-	-	50	15
Currency translation difference	378	8	1	35	122	544
<b>Purchase value as at December 31, 2022</b>	<b>6,855</b>	<b>1,202</b>	<b>80</b>	<b>3,817</b>	<b>3,165</b>	<b>15,119</b>
<b>Amortization as at January 1, 2022</b>	-	<b>(12)</b>	<b>(58)</b>	<b>(810)</b>	<b>(324)</b>	<b>(1,204)</b>
Amortization for the year	-	(52)	(7)	(591)	(297)	(947)
Sales/disposals	-	-	1	-	-	1
Currency translation difference	-	(1)	-	(17)	(29)	(47)
<b>Amortization as at December 31, 2022</b>	-	<b>(65)</b>	<b>(64)</b>	<b>(1,418)</b>	<b>(650)</b>	<b>(2,197)</b>
<b>Impairment as at January 1, 2022</b>	-	<b>(76)</b>	-	<b>(17)</b>	-	<b>(93)</b>
Impairment for the year	-	-	-	(48)	-	(48)
Currency translation difference	-	(6)	-	(2)	-	(8)
<b>Impairment as at December 31, 2022</b>	-	<b>(82)</b>	-	<b>(67)</b>	-	<b>(149)</b>
<b>Carrying amount as at December 31, 2022</b>	<b>6,855</b>	<b>1,055</b>	<b>16</b>	<b>2,332</b>	<b>2,515</b>	<b>12,773</b>

**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 130m and Intangible assets of SEK 162m.

**Note 22 Tangible assets**

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

	Leasehold improvements	Equipment	Total
<b>Purchase value as at January 1, 2022</b>	<b>143</b>	<b>536</b>	<b>679</b>
Additions	13	106	119
Additions from business combinations	-	6	6
Sales/disposals	(4)	(14)	(18)
Reclassification	(5)	5	-
Currency translation difference	12	21	33
<b>Purchase value as at December 31, 2022</b>	<b>159</b>	<b>660</b>	<b>819</b>
<b>Depreciation as at January 1, 2022</b>	<b>(40)</b>	<b>(223)</b>	<b>(263)</b>
Depreciation for the year	(29)	(98)	(127)
Sales/disposals	2	6	8
Currency translation difference	(6)	(11)	(17)
<b>Depreciation as at December 31, 2022</b>	<b>(73)</b>	<b>(326)</b>	<b>(399)</b>
<b>Impairment as at January 1, 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>
Impairment for the year	(6)	(6)	(12)
<b>Impairment as at December 31, 2022</b>	<b>(6)</b>	<b>(6)</b>	<b>(12)</b>
<b>Carrying amount as at December 31, 2022<sup>1</sup></b>	<b>80</b>	<b>328</b>	<b>408</b>

<sup>1</sup> 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.

## Note 23 Other assets

	31 Dec 2023	31 Dec 2022
Current tax assets	384	362
VAT receivables	292	222
Derivatives	585	789
Contract assets	1,170	1,350
Other receivables	344	466
<b>Total</b>	<b>2,775</b>	<b>3,189</b>

For more information on derivatives, see note 24.

## Note 24 Derivatives and hedge accounting

31 Dec 2023			
	Fair value		Nominal amount
	Positive	Negative	
<b>Derivatives designated in a hedged relationship</b>			
Interest rate swaps	52	(66)	22,802
<b>Total</b>	<b>52</b>	<b>(66)</b>	<b>22,802</b>
<b>Derivatives not designated in a hedged relationship</b>			
Currency forwards	533	(202)	38,158
<b>Total</b>	<b>533</b>	<b>(202)</b>	<b>38,158</b>

31 Dec 2022			
	Fair value		Nominal amount
	Positive	Negative	
<b>Derivatives designated in a hedged relationship</b>			
Interest rate swaps	-	(85)	10,147
<b>Total</b>	<b>-</b>	<b>(85)</b>	<b>10,147</b>
<b>Derivatives not designated in a hedged relationship</b>			
Currency forwards	789	(50)	42,879
<b>Total</b>	<b>789</b>	<b>(50)</b>	<b>42,879</b>

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.

31 Dec 2023					
	Nominal amount	Carrying amount		Change in fair value used to calculate hedge ineffectiveness	Ineffectiveness recognized in Net result from financial transactions
		Positive	Negative		
<b>Fair value hedges: Hedging instrument and ineffectiveness</b>					
Interest rate risk	22,802	52	(66)	(117)	3
<b>Total</b>	<b>22,802</b>	<b>52</b>	<b>(66)</b>	<b>(117)</b>	<b>3</b>

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

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

	Maturity 2023			Maturity 2022		
	Within 3 months	> 3 months and < 12 months	> 12 months	Within 3 months	> 3 months and < 12 months	> 12 months
<b>Fair value hedges: Profile of the timing of the nominal amount of the hedge instrument</b>						
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 25 Prepaid expenses and accrued income**

	31 Dec 2023	31 Dec 2022
Accrued transaction-related income	496	574
Prepaid licenses	177	216
Other accrued income	86	90
Prepaid marketing	19	26
Other prepaid expenses	67	117
<b>Total</b>	<b>845</b>	<b>1,023</b>

**Note 26 Liabilities to credit institutions**

	31 Dec 2023	31 Dec 2022
Liabilities to credit institutions	1,636	2,829
By currency		
- in SEK	181	1,885
- in GBP	901	755
- in EUR	170	180
- in USD	384	9
<b>Total</b>	<b>1,636</b>	<b>2,829</b>

For maturity analysis of financial liabilities, see note 36.

**Note 27 Deposits from the public**

	31 Dec 2023	31 Dec 2022
Deposits from the public	97,096	81,470
of which: fair value adjustment for hedged risk	14	(100)
<b>Total</b>	<b>97,096</b>	<b>81,470</b>
By currency		
- in SEK	12,089	15,011
- in EUR	84,354	65,835
- in other currencies	653	624
<b>Total</b>	<b>97,096</b>	<b>81,470</b>

For maturity analysis of financial liabilities, see note 36.

**Note 28 Debt securities issued**

	31 Dec 2023	31 Dec 2022
Senior unsecured bonds	451	1,115
Commercial papers	200	22
Convertible promissory notes	-	539
<b>Total</b>	<b>651</b>	<b>1,676</b>

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 36.

**Note 29 Other liabilities**

	31 Dec 2023	31 Dec 2022
Accounts payable	414	184
Personnel related taxes	80	198
Current tax liabilities	177	87
Liabilities to retailers	8,479	6,904
Derivatives	268	135
Lease liabilities	1,234	1,757
Other liabilities	1,321	1,809
<b>Total</b>	<b>11,972</b>	<b>11,074</b>

For more information on derivatives, see note 24. For maturity analysis of financial liabilities, see note 36.

**Note 30 Accrued expenses and prepaid income**

	31 Dec 2023	31 Dec 2022
Accrued personal and consultant related costs	642	696
Accrued marketing costs	489	437
Accrued outsourced and IT costs	542	352
Other accrued expenses and prepaid income	532	564
Accrued commission costs	298	175
Accrued interest costs	972	306
Accrued scoring and distribution costs	143	123
<b>Total</b>	<b>3,618</b>	<b>2,653</b>

For maturity analysis of financial liabilities, see note 36.

## Note 31 Provisions

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

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
<b>Provisions as at January 1, 2023</b>	<b>54</b>	<b>39</b>	<b>1</b>	<b>94</b>
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
<b>Provisions as at December 31, 2023</b>	<b>102</b>	<b>5</b>	<b>-</b>	<b>107</b>

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

Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
<b>Provisions as at January 1, 2022</b>	<b>44</b>	<b>6</b>	<b>11</b>	<b>61</b>
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
<b>Provisions as at December 31, 2022</b>	<b>54</b>	<b>39</b>	<b>1</b>	<b>94</b>

## Note 32 Subordinated liabilities

	31 Dec 2023	31 Dec 2022
Subordinated note, nominal value	750	300
Transaction expenses	(10)	(1)
Accrued interest	11	4
<b>Total</b>	<b>751</b>	<b>303</b>

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.

On May 16, 2023, Klarna Holding AB (publ) issued SEK 500m of subordinated notes due 2033. The notes have a floating coupon rate corresponding to STIBOR 3M plus 7.5% per annum. The interest is paid on a quarterly basis. The notes were allocated to a limited number of large Nordic investors and has a first call date of May 16, 2028.

On August 16 2023, Klarna Holding AB (publ) issued SEK 250m of subordinated notes due 2033. The notes have a floating coupon rate corresponding to STIBOR 3M plus 7.5% per annum. The interest is paid on a quarterly basis. The notes were issued as a private placement and has a first call date of August 16, 2028.

For maturity analysis of financial liabilities, see note 36.

## Note 33 Pledged assets and contingent liabilities

	31 Dec 2023	31 Dec 2022
<b>Pledged assets</b>		
<i>Assets pledged for own liabilities</i>		
Pledged loans to the public and credit institutions	2,775	2,717
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	-	1,402
<i>Other pledged assets</i>	32	34
<b>Total</b>	<b>2,807</b>	<b>4,153</b>
<b>Contingent liabilities and commitments</b>		
<i>Contingent liabilities</i>		
Guarantees	-	44
<i>Commitments</i>	15,424	16,438
<b>Total</b>	<b>15,424</b>	<b>16,482</b>

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 34 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 35 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		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>						
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	4,502	4,502	-	3,818	3,818	-
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	388	388	-	465	465	-
Other assets (derivatives)	585	585	-	789	789	-
Prepaid expenses and accrued income	582	582	-	665	665	-
<b>Total</b>	<b>122,051</b>	<b>122,311</b>	<b>(260)</b>	<b>107,207</b>	<b>107,720</b>	<b>(513)</b>

	31 Dec 2023			31 Dec 2022		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Liabilities</b>						
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	11,315	11,315	-	10,572	10,572	-
Other liabilities (derivatives)	268	268	-	135	135	-
Accrued expenses and prepaid income	3,595	3,595	-	2,613	2,613	-
Subordinated liabilities	769	751	18	300	303	(3)
<b>Total</b>	<b>115,596</b>	<b>115,312</b>	<b>284</b>	<b>99,202</b>	<b>99,598</b>	<b>(396)</b>

## Note 35 Classification of financial assets and liabilities into measurement categories

31 Dec 2023	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
<b>Assets</b>				
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	-	4,502	-	4,502
Loans to the public	-	86,108	-	86,108
Bonds and other interest-bearing securities	-	506	-	506
Other shares and participations	345	-	-	345
Intangible assets	-	-	12,050	12,050
Tangible assets	-	-	1,228	1,228
Deferred tax assets	-	-	282	282
Other assets	585	388	1,802	2,775
Prepaid expenses and accrued income	-	582	263	845
<b>Total</b>	<b>930</b>	<b>121,381</b>	<b>15,625</b>	<b>137,936</b>

31 Dec 2023	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
<b>Liabilities</b>				
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	11,315	389	11,972
Accrued expenses and prepaid income	-	3,595	23	3,618
Provisions	-	-	128	128
Subordinated liabilities	-	751	-	751
<b>Total</b>	<b>268</b>	<b>115,044</b>	<b>545</b>	<b>115,857</b>

31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
<b>Assets</b>				
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	-	3,818	-	3,818
Loans to the public	-	73,983	-	73,983
Bonds and other interest-bearing securities	-	864	-	864
Other shares and participations	338	-	-	338
Intangible assets	-	-	12,773	12,773
Tangible assets	-	-	2,044	2,044
Deferred tax assets	-	-	395	395
Other assets	789	465	1,935	3,189
Prepaid expenses and accrued income	-	665	358	1,023
<b>Total</b>	<b>1,127</b>	<b>106,593</b>	<b>17,505</b>	<b>125,225</b>

31 Dec 2022	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
<b>Liabilities</b>				
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	10,572	367	11,074
Accrued expenses and prepaid income	-	2,613	40	2,653
Provisions	-	-	112	112
Subordinated liabilities	-	303	-	303
<b>Total</b>	<b>674</b>	<b>98,924</b>	<b>1,431</b>	<b>101,029</b>

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 12. No transfers between levels have been made during 2023.

31 Dec 2023	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Other shares and participations	81	-	264	345
Other assets (derivatives)	-	585	-	585
<b>Total</b>	<b>81</b>	<b>585</b>	<b>264</b>	<b>930</b>

<b>Financial liabilities</b>				
Debt securities issued	-	-	-	-
Other liabilities (derivatives)	-	268	-	268
<b>Total</b>	<b>-</b>	<b>268</b>	<b>-</b>	<b>268</b>

31 Dec 2022	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Other shares and participations	67	-	271	338
Other assets (derivatives)	-	789	-	789
<b>Total</b>	<b>67</b>	<b>789</b>	<b>271</b>	<b>1,127</b>

<b>Financial liabilities</b>				
Debt securities issued	-	-	539	539
Other liabilities (derivatives)	-	135	-	135
<b>Total</b>	<b>-</b>	<b>135</b>	<b>539</b>	<b>674</b>

*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.

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

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

<sup>1</sup> Fair value gains and losses recognized in the income statement are included in Net result from financial transactions.

<sup>2</sup> The value of debt securities issued 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).

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.

**Note 36 Maturity analysis for financial liabilities**

Contractual undiscounted cash flows	31 Dec 2023			31 Dec 2022		
	Expected to be recovered or settled:			Expected to be recovered or settled:		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Liabilities to credit institutions	1,636	-	<b>1,636</b>	2,844	-	<b>2,844</b>
Deposits from the public	84,561	14,166	<b>98,727</b>	63,629	18,804	<b>82,433</b>
Debt securities issued	574	85	<b>659</b>	718	994	<b>1,712</b>
Other liabilities	10,486	1,186	<b>11,672</b>	9,133	1,717	<b>10,850</b>
Accrued expenses and prepaid income	3,529	66	<b>3,595</b>	2,495	118	<b>2,613</b>
Subordinated liabilities	11	740	<b>751</b>	16	374	<b>390</b>
<b>Total</b>	<b>100,797</b>	<b>16,243</b>	<b>117,040</b>	<b>78,835</b>	<b>22,007</b>	<b>100,842</b>

**Note 37 Interest received and paid**

	2023	2022
Interest payments received	4,134	4,004
Interest expenses paid	(2,144)	(839)

## Note 38 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
<b>January 1, 2023</b>	<b>8,544,987</b>	<b>63</b>	<b>29,824</b>	<b>8,646</b>
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)	53	-	-
<b>December 31, 2023</b>	<b>10,764,796</b>	<b>52</b>	<b>27,457</b>	<b>6,524</b>

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
<b>January 1, 2022</b>	<b>2,212,311</b>	<b>134</b>	<b>50,144</b>	<b>11,135</b>
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	-	-
<b>December 31, 2022</b>	<b>8,544,987</b>	<b>63</b>	<b>29,824</b>	<b>8,646</b>

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
<b>January 1, 2023</b>	<b>1,933,083</b>	<b>5,206</b>
Granted during the year	1,102,024	6,131
Exercised during the year <sup>1</sup>	(65,346)	807
Forfeited during the year	(417,518)	79
<b>December 31, 2023</b>	<b>2,552,243</b>	<b>5,706</b>

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

<sup>1</sup> 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:

Group	Stock warrants	
	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 462m (651m).

## Note 39 Information on related parties

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.

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

## Note 40 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](http://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 (SFS) 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 SFS 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		Klarna Bank AB (publ)	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
<b>Own funds, total risk exposure amount and total leverage ratio exposure</b>				
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
<b>Capital adequacy analysis</b>				
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%
<b>Exposure amounts for credit risk according to the standardized approach</b>				
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
<b>Total exposure amount</b>	<b>115,018</b>	<b>108,144</b>	<b>127,341</b>	<b>115,597</b>
<b>Risk exposure amounts according to the standardized approach</b>				
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
Securitization 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
<b>Total risk exposure amount</b>	<b>71,794</b>	<b>68,597</b>	<b>90,210</b>	<b>80,078</b>



	Consolidated situation		Klarna Bank AB (publ)	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
<b>Total minimum capital requirements</b>				
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
Securitization 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
<b>Total capital requirement</b>	<b>5,743</b>	<b>5,487</b>	<b>7,217</b>	<b>6,405</b>
<b>Own funds disclosure</b>				
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
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
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>24,120</b>	<b>34,042</b>	<b>18,876</b>	<b>22,510</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
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)	-	-
Securitization positions alternatively subject to a 1250% risk weight	(338)	(258)	(338)	(258)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1) capital</b>	<b>(12,488)</b>	<b>(19,177)</b>	<b>(4,332)</b>	<b>(9,897)</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>11,632</b>	<b>14,865</b>	<b>14,544</b>	<b>12,613</b>
<b>Additional Tier 1 (AT1) capital instruments</b>				
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	-	-
<b>Total Additional Tier 1 (AT1) capital instruments</b>	<b>177</b>	<b>427</b>	<b>276</b>	<b>276</b>
<b>Tier 1 capital</b>	<b>11,809</b>	<b>15,292</b>	<b>14,820</b>	<b>12,889</b>
<b>Tier 2 (T2) capital instruments</b>				
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	-	-
<b>Total Tier 2 (T2) capital instruments</b>	<b>751</b>	<b>256</b>	<b>-</b>	<b>302</b>
<b>Own funds</b>	<b>12,560</b>	<b>15,548</b>	<b>14,820</b>	<b>13,191</b>

## Note 41 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.

## Note 42 Significant events after the end of the reporting period

On 1<sup>st</sup> February 2024, Klarna Holding AB issued SEK 1.5bn of Additional Tier 1 Capital Notes with a floating rate coupon of STIBOR 3M + 9.5%.

# Parent company financials



## Income Statement, Parent Company

Amounts in SEKm	Note	2023	2022
Administrative expenses	4,5	(108)	(42)
<b>Operating result</b>		<b>(108)</b>	<b>(42)</b>
<b>Income from financial items</b>			
Other interest income and similar items		329	113
Financial expenses		(48)	(1,246)
<b>Total income from financial items</b>		<b>281</b>	<b>(1,133)</b>
<b>Result after financial items</b>		<b>173</b>	<b>(1,175)</b>
Income tax	6	9	(9)
<b>Net result for the year</b>		<b>182</b>	<b>(1,184)</b>

## Statement of Comprehensive Income, Parent Company

Amounts in SEKm	2023	2022
Net result for the year	182	(1,184)
<b>Total comprehensive income for the year</b>	<b>182</b>	<b>(1,184)</b>

## Balance Sheet, Parent Company

Amounts in SEKm	Note	31 Dec 2023	31 Dec 2022
<b>Assets</b>			
<b>Financial non-current assets</b>			
Shares and participations in group companies	8	36,130	30,785
Receivables	9	7,225	11,042
<b>Total financial non-current assets</b>		<b>43,355</b>	<b>41,827</b>
<b>Current assets</b>			
Receivables	9	24	22
Cash and bank balances		-	34
<b>Total current assets</b>		<b>24</b>	<b>56</b>
<b>Total assets</b>		<b>43,379</b>	<b>41,883</b>
<b>Equity</b>			
Share capital		3	3
Share premium reserve		42,092	41,569
Additional Tier 1 instruments		-	256
Retained earnings		266	1,203
Net result for the year		182	(1,184)
<b>Total equity</b>		<b>42,543</b>	<b>41,847</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liabilities <sup>1</sup>		751	-
Other liabilities		54	31
Accrued expenses	10	31	5
<b>Total current liabilities</b>		<b>836</b>	<b>36</b>
<b>Total equity and liabilities</b>		<b>43,379</b>	<b>41,883</b>

<sup>1</sup> See Group's note 32 for additional information.

## Statement of Changes in Equity, Parent Company

Amounts in SEKm	Restricted equity	Non-restricted equity				Total equity
	Share capital	Share premium reserve	Additional Tier 1 instruments	Retained earnings	Net result	
<b>Balance as at January 1, 2023</b>	<b>3</b>	<b>41,569</b>	<b>256</b>	<b>1,203</b>	<b>(1,184)</b>	<b>41,847</b>
Reclassification	-	3	-	-	-	3
Transfer of previous year's net result	-	-	-	(1,184)	1,184	-
<i>Net result for the year</i>	-	-	-	-	<i>182</i>	<i>182</i>
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>182</b>	<b>182</b>
New share issue	-	515	-	-	-	515
Share warrants	-	5	-	-	-	5
Share-based payments	-	-	-	292	-	292
Restricted stock units	-	-	-	4	-	4
Additional Tier 1 instruments <sup>1</sup>	-	-	-	(19)	-	(19)
Redeemed Additional Tier 1 instruments	-	-	(256)	(30)	-	(286)
<b>Balance as at December 31, 2023</b>	<b>3</b>	<b>42,092</b>	<b>-</b>	<b>266</b>	<b>182</b>	<b>42,543</b>

Amounts in SEKm	Restricted equity	Non-restricted equity				Total equity
	Share capital	Share premium reserve	Additional Tier 1 instruments	Retained earnings	Net result	
<b>Balance as at January 1, 2022</b>	<b>3</b>	<b>32,280</b>	<b>256</b>	<b>940</b>	<b>113</b>	<b>33,592</b>
Transfer of previous year's net result	-	-	-	113	(113)	-
<i>Net result for the year</i>	-	-	-	-	<i>(1,184)</i>	<i>(1,184)</i>
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>(1,184)</b>	<b>(1,184)</b>
New share issue	-	9,289	-	-	-	9,289
Transaction costs	-	(19)	-	-	-	(19)
Share warrants	-	19	-	-	-	19
Share-based payments	-	-	-	161	-	161
Restricted stock units	-	-	-	7	-	7
Additional Tier 1 instruments <sup>1</sup>	-	-	-	(18)	-	(18)
<b>Balance as at December 31, 2022</b>	<b>3</b>	<b>41,569</b>	<b>256</b>	<b>1,203</b>	<b>(1,184)</b>	<b>41,847</b>

<sup>1</sup>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: 30,334,909 shares (30,053,266), quota value 0.1 (0.1).

## Cash Flow Statement, Parent Company

Amounts in SEKm	Note	2023	2022
<b>Operating activities</b>			
Operating result		(108)	(42)
<i>Adjustments for items in operating activities</i>			
Financial items, net		263	71
Share-based payments		4	7
<i>Changes in the assets and liabilities of operating activities</i>			
Change in other assets and liabilities		2,164	(8,081)
<b>Cash flow from operating activities</b>		<b>2,323</b>	<b>(8,045)</b>
<b>Investing activities</b>			
Investments in subsidiaries	8	(3,262)	(313)
<b>Cash flow from investing activities</b>		<b>(3,262)</b>	<b>(313)</b>
<b>Financing activities</b>			
New share issue		436	8,367
Share warrants		5	19
Redeemed Additional Tier 1 Instruments		(286)	-
Subordinated liabilities, net		750	-
<b>Cash flow from financing activities</b>		<b>905</b>	<b>8,386</b>
<b>Cash flow for the year</b>		<b>(34)</b>	<b>28</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>34</b>	<b>6</b>
Cash flow for the year		(34)	28
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>34</b>
<b>Cash and cash equivalents include the following items</b>			
Cash and bank balances		-	34
<b>Cash and cash equivalents</b>		<b>-</b>	<b>34</b>



# Notes with accounting principles

## Notes, Parent Company

The Group notes 1-3 apply to the Parent Company as well, with the exception that the Parent Company has chosen not to adopt IFRS 9 "Financial instruments" which is in accordance with the Swedish accounting recommendation, RFR 2, amended by the Swedish Financial Reporting Board.

## Note 4 Employees and personnel costs

Salaries, other remunerations and social security expenses	2023	2022
Board and CEO	(8)	(10)
<b>Total salaries and remuneration</b>	<b>(8)</b>	<b>(10)</b>

Klarna Holding AB (publ) has no employees. However, the remuneration to the board of directors other than CEO is accounted for in Klarna Holding AB (publ).

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

2023					
Salaries and other remuneration to the board and senior management	Basic salary/fee	Variable remuneration <sup>3</sup>	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Furgeson	(1.3)	(1.6)	-	-	(2.9)
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	(1.2)	(1.2)	-	-	(2.4)
Sarah Smith	(1.6)	(1.3)	-	-	(2.9)
Matthew Miller <sup>1</sup>	-	-	-	-	-
Sebastian Siemiatkowski, CEO <sup>2</sup>	-	-	-	-	-
<b>Total</b>	<b>(4.1)</b>	<b>(4.1)</b>	<b>-</b>	<b>-</b>	<b>(8.2)</b>

<sup>1</sup> On December 29, 2023 the company appointed Matthew Miller to the Board.

<sup>2</sup> Remuneration to the CEO is accounted for and presented in the annual report for Klarna Bank AB (publ).

<sup>3</sup> Variable remuneration includes cash-based variable remuneration and IFRS 2 expensed amounts for equity based programs.

2022					
Salaries and other remuneration to the board and senior management	Basic salary/fee	Variable remuneration <sup>2</sup>	Other benefits	Pension expenses	Total
Michael Moritz, Chairman of the Board	-	-	-	-	-
Roger Furgeson	(1.3)	(3.0)	-	-	(4.3)
Lise Kaae	-	-	-	-	-
Mikael Walther	-	-	-	-	-
Omid Kordestani	(1.2)	(1.7)	-	-	(2.9)
Sarah Smith	(1.3)	(1.9)	-	-	(3.2)
Sebastian Siemiatkowski, CEO <sup>1</sup>	-	-	-	-	-
<b>Total</b>	<b>(3.8)</b>	<b>(6.6)</b>	<b>-</b>	<b>-</b>	<b>(10.4)</b>

<sup>1</sup> Remuneration to the CEO is accounted for and presented in the annual report for Klarna Bank AB (publ).

<sup>2</sup> Variable remuneration includes cash-based variable remuneration and IFRS 2 expensed amounts for equity based programs.

**Note 5 Expenses by expense type**

	2023	2022
Audit fees to Ernst & Young AB	0	0
Other costs	(108)	(42)
<b>Total</b>	<b>(108)</b>	<b>(42)</b>

**Note 6 Income tax expense**

Current tax	2023	2022
Tax expense for the year	-	(9)
Adjustment of tax attributable to previous years	9	-
<b>Total current tax</b>	<b>9</b>	<b>(9)</b>
<b>Reported tax expense</b>	<b>9</b>	<b>(9)</b>

The effective tax on income deviates from the nominal tax rate due to the following items:

Effective tax rate	2023	2022
Income before tax	173	(1,175)
Income tax calculated in accordance with national tax rate	(36)	242
Non-deductible expenses	(10)	(258)
Deductible expenses not booked in profit or loss	44	-
Losses carried forward used this financial year	2	7
Adjustments of tax attributable to previous years	9	-
<b>Reported tax expense</b>	<b>9</b>	<b>(9)</b>
<b>Effective tax rate</b>	<b>4.9%</b>	<b>(0.8)%</b>

Tax losses carried forward for the parent, Klarna Holding AB, for which tax assets are not recognized in the balance sheet is SEK 0m (11m) gross, with a calculated tax effect of SEK 0 (2m).

**Note 7 Proposed treatment of unappropriated earnings**

The Board and the CEO propose to the Annual General Meeting that the non-restricted equity of SEK 42,539,621,384 on Klarna Holding AB (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward.

Additional Tier 1 instruments	- SEK
Retained earnings	42,357,491,149 SEK
Net result for the year	182,130,235 SEK
<b>Total</b>	<b>42,539,621,384 SEK</b>

**Note 8 Shares and participations in group companies**

	31 Dec 2023	31 Dec 2022		
Participations in group companies	36,130	30,785		
<b>Group companies</b>	<b>No. of shares</b>	<b>Share</b>	<b>Book value</b>	<b>Book value</b>
Klarna Bank AB (publ), Sweden, Corp. ID 556737-0431	223,524,286	97%	34,697	29,692
Klarna Midco AB, Sweden, Corp. ID 559146-5132	540,148	95%	856	774
Larkan Holding AB, Sweden, Corp. ID 559262-3119	24,375	97%	575	317
Larkan III AB (publ), Sweden, Corp. ID 559405-6060	50,000	100%	1	1
Larkan IV AB (publ), Sweden, Corp. ID 559405-6177	750,000	100%	1	1
Larkan V AB, Sweden, Corp. ID 559405-5138	250,000	100%	0	-
Larkan VI AB, Sweden, Corp. ID 559419-2618	250,000	100%	0	-
Larkan VII AB, Sweden, Corp. ID 559433-3030	100,000	100%	0	-
Larkan VIII AB, Sweden, Corp. ID 559433-3022	25,000	100%	0	-
Larkan IX AB, Sweden, Corp. ID 559443-0448	25,000	100%	0	-
Larkan X AB, Sweden, Corp. ID 559456-1556	25,000	100%	0	-
Larkan XI AB, Sweden, Corp. ID 559456-1564	25,000	100%	0	-
<b>Total</b>			<b>36,130</b>	<b>30,785</b>

During 2023, seven new subsidiaries to Klarna Holding AB (publ) were established. The Klarna Group operates according to a centralized business model where Klarna Bank AB (publ), being the owner of the majority of the Group's assets, risks as well as the strategic and key value driving functions, is the principal (central entrepreneur) of the Group.

**Note 9 Receivables**

	31 Dec 2023	31 Dec 2022
<b>Non-current</b>		
Receivables from group companies	7,225	11,042
<b>Total</b>	<b>7,225</b>	<b>11,042</b>
<b>Current</b>		
Receivables from group companies	-	18
Current tax assets	12	4
Other receivables	12	-
<b>Total</b>	<b>24</b>	<b>22</b>
<b>Total receivables</b>	<b>7,249</b>	<b>11,064</b>

## Note 10 Accrued expenses

	31 Dec 2023	31 Dec 2022
Accrued expenses for consultants	31	5
<b>Total</b>	<b>31</b>	<b>5</b>

## Note 11 Contingent liabilities

The subsidiary Klarna Bank AB (publ) continually pledges parts of its receivables as collateral for liabilities to credit institutions which provides security for the Group's credit facilities. The credit liability amounts to SEK 0m (0m) as at December 31, 2023. Klarna Holding AB (publ) acts as a guarantor for Klarna Bank AB (publ)'s outstanding liability regarding this credit facility.

## Note 12 Information on related parties

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

The following transactions have taken place with related parties:

Klarna Holding AB (publ) has a non-current receivable of SEK 7,208m (11,033m) and current receivable of SEK 0m (18m) from Klarna Bank AB (publ).

Additionally, Klarna Holding AB (publ) has a non-current receivable of SEK 17m (9m) from Klarna Midco AB.

For information about transactions with the board of directors, CEO and senior management, see note 4.

## 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

# Appendix



# ESG Datasheet

Environment	2023	2022	2021
<b>Greenhouse gas emissions</b>			
Direct (Scope 1) GHG emissions (tCO <sub>2</sub> e)	67	281	279
Indirect (Scope 2) GHG emissions (tCO <sub>2</sub> e)	52	66	6
Other indirect (Scope 3) GHG emissions (tCO <sub>2</sub> e)	109,824	146,928	152,710
GHG emissions intensity (tCO <sub>2</sub> e per SEK 1M revenue)	4.7	7.6	9.6
Change in GHG emissions (%)	-25%	-3.7%	49%
<b>Electricity consumption</b>			
Total electricity consumption (MWh)	2,949	9,110	6,344
Share of renewable energy of total electricity consumption (%)	100%	100%	80%
<b>Internal carbon tax</b>			
Funds resulting from internal carbon tax (USD)	2.0M	2.3M	1.7M
Internal carbon tax funds invested in Climate Transformation Fund projects (USD)	5M+	2.7M	1.0M
Number of projects we invested in through Climate Transformation Fund	30	16	11

Social	2023			2022			2021		
<b>Employees ( # (%) )</b>									
<b>by management level</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>
Group Management Team <sup>1</sup>	1 (0.1%)	10 (0.4%)	11 (0.3%)	1 (0.0%)	6 (0.2%)	7 (0.1%)	2 (0.1%)	7 (0.2%)	9 (0.2%)
Manager	523 (31.9%)	824 (32.2%)	1,347 (32.1%)	221 (9.4%)	376 (12.2%)	597 (11.0%)	235 (9.4%)	412 (12.6%)	647 (11.2%)
Non-Manager	1,116 (68.0%)	1,727 (67.4%)	2,843 (67.7%)	2,126 (90.6%)	2,711 (87.6%)	4,837 (88.9%)	2,272 (90.6%)	2,855 (87.2%)	5,127 (88.6%)
<b>Total employees</b>	<b>1,640</b>	<b>2,561</b>	<b>4,201</b>	<b>2,348</b>	<b>3,093</b>	<b>5,441</b>	<b>2,509</b>	<b>3,274</b>	<b>5,783</b>
<b>by employment type</b>									
Permanent	1,632 (99.5%)	2,550 (99.6%)	4,182 (99.5%)	2,331 (99.3%)	3,068 (99.2%)	5,399 (99.2%)	2,460 (98.0%)	3,230 (98.7%)	5,690 (98.4%)
Temporary	8 (0.5%)	11 (0.4%)	19 (0.5%)	17 (0.7%)	25 (0.8%)	42 (0.8%)	49 (2.0%)	44 (1.3%)	93 (1.6%)
<b>Total employees</b>	<b>1,640</b>	<b>2,561</b>	<b>4,201</b>	<b>2,348</b>	<b>3,093</b>	<b>5,441</b>	<b>2,509</b>	<b>3,274</b>	<b>5,783</b>
<b>by region</b>									
Asia	0 (0.0%)	2 (0.1%)	2 (0.1%)	0 (0.0%)	4 (0.1%)	4 (0.1%)	0 (0.0%)	3 (0.1%)	3 (0.1%)
Europe	1,411 (86.0%)	2,356 (92.0%)	3,767 (89.7%)	1,986 (84.6%)	2,804 (90.7%)	4,790 (88.0%)	2,090 (83.3%)	2,934 (89.6%)	5,024 (86.9%)
North America	220 (13.4%)	193 (7.5%)	413 (9.8%)	324 (13.8%)	262 (8.5%)	586 (10.8%)	364 (14.5%)	287 (8.8%)	651 (11.3%)
Oceania	9 (0.5%)	10 (0.4%)	19 (0.5%)	38 (1.6%)	23 (0.7%)	61 (1.1%)	55 (2.2%)	50 (1.5%)	105 (1.8%)
<b>Total employees</b>	<b>1,640</b>	<b>2,561</b>	<b>4,201</b>	<b>2,348</b>	<b>3,093</b>	<b>5,441</b>	<b>2,509</b>	<b>3,274</b>	<b>5,783</b>
<b>by age</b>									
<30	554 (33.8%)	726 (28.3%)	1,280 (30.5%)	1,139 (48.5%)	1,132 (36.6%)	2,271 (41.7%)	1,375 (54.8%)	1,350 (41.2%)	2,725 (47.1%)
31-50	1,073 (65.4%)	1,788 (69.8%)	2,861 (68.1%)	1,188 (50.6%)	1,913 (61.8%)	3,101 (57.0%)	1,118 (44.6%)	1,866 (57.0%)	2,984 (51.6%)
>50	13 (0.8%)	47 (1.8%)	60 (1.4%)	21 (0.9%)	48 (1.6%)	69 (1.3%)	16 (0.6%)	58 (1.8%)	74 (1.3%)
<b>Total employees</b>	<b>1,640</b>	<b>2,561</b>	<b>4,201</b>	<b>2,348</b>	<b>3,093</b>	<b>5,441</b>	<b>2,509</b>	<b>3,274</b>	<b>5,783</b>
<b>by gender</b>									
Group Management Team	9.1%	90.9%	-	14.3%	87.5%	-	22.2%	77.8%	-
Managers	38.8%	61.2%	-	37.0%	63.0%	-	36.3%	63.7%	-
Non-Managers	39.3%	60.7%	-	44.0%	56.0%	-	44.3%	55.7%	-
New hires	34.5%	65.4%	-	42.6%	57.4%	-	47.4%	52.6%	-
<b>Total employees</b>	<b>39.0%</b>	<b>61.0%</b>	<b>-</b>	<b>43.2%</b>	<b>56.8%</b>	<b>-</b>	<b>43.4%</b>	<b>56.6%</b>	<b>-</b>
<b>Parental leave</b>									
Employees who took parental leave <sup>2</sup>	420 (16.30%)	392 (11.10%)	812 (13.29%)	405 (17.25%)	360 (11.64%)	765 (14.06%)	-	-	-

<sup>1</sup> The Group Management Team is formed of the Chief Executive Officer, 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 the Chief Credit Risk Officer

<sup>2</sup> This statistic is higher than other figures in this report since it includes all employees who at some point during 2023 worked at Klarna.

## Social (continued)

	2023	2022	2021
<b>Compensation and benefits</b>			
Employees participating in RSU program	3,956 (94.17%)	4,678 (85.98%)	3,773 (67.40%)
Total salaries, other remuneration, social security and pension expenses (SEK)	4,999M	5,617M	3,968M
<b>Employee engagement survey <sup>3</sup></b>			
Employees who took the annual employee engagement survey	68%	86%	81%
Overall satisfaction score from employee engagement survey	71%	64%	75%
<b>Training</b>			
Number of mandatory trainings on Looop	31	36	34
Completion rate of compliance training <sup>4</sup>	86%	91%	90%
Completion rate of AML/CTF training <sup>4, 5</sup>	86%	91%	90%
Completion rate of data privacy training <sup>4</sup>	92%	91%	96%
Completion rate security awareness training <sup>4</sup>	88%	92%	96%
<b>Political advocacy</b>			
Spend on public affairs activities (SEK)	12.95M	34.1M	19.1M
<b>Global tax commitment</b>			
Cash income taxes paid (SEK)	115M	214M	229M

## Governance

### Board of Directors in 2023 ( # (%) )

by gender	Women	Men	Total
Board of Directors	2 (25.0%)	6 (75.0%)	8 (100%)
Audit, Compliance & Risk Committee (ACRC)	2 (66.7%)	1 (33.3%)	3 (100%)
Remuneration Committee	1 (33.3%)	2 (66.7%)	3 (100%)
<b>by type</b>			
	Executive	Non-Executive	Total
Board of Directors	1 (12.5%)	7 (87.5%)	8 (100%)
Audit, Compliance & Risk Committee (ACRC)	0 (0.0%)	3 (100.0%)	3 (100%)
Remuneration Committee	0 (0.0%)	3 (100.0%)	3 (100%)

<sup>3</sup> As this is a significant deviation from our previous engagement survey methodology, the results garnered from the new tool are not directly comparable to the past data.

<sup>4</sup> The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

<sup>5</sup> The ML/TF employee training is part of the mandatory Compliance online training.

# EU Taxonomy Compliance Report

## Reporting section

As a licensed credit institution with more than 500 employees, Klarna Bank AB falls within the scope of the Non-Financial Reporting Directive (NFRD) (Directive 2014/95/EU<sup>1</sup>). All companies that fall within the scope of the NFRD must report in their consolidated annual report in accordance with the EU Taxonomy Regulation (hereafter "Taxonomy") (Regulation (EU) 2020/852<sup>2</sup>). Klarna Holding AB (hereafter "Klarna"), defined under article 2 of the Directive 2013/34/EU<sup>3</sup> as a credit institution, falls under the scope of the Swedish implementation of the NFRD through the Accounts Act for Credit institutions and securities companies ÅRKL<sup>4</sup>.

Per the EU Taxonomy Regulation, Klarna must provide quantitative and qualitative information on:

- the proportion in its total assets of exposures to Taxonomy-eligible and Taxonomy-aligned economic activities of the two climate objectives, namely climate change mitigation and climate change adaptation.

- the proportion in its total assets of the exposures to Taxonomy-eligible economic activities of the four environmental objectives, namely water and marine resources, circular economy, pollution, and biodiversity.
- the proportion in its total assets of the exposures to Taxonomy-eligible economic activities related to nuclear and gas energy covered under the two climate objectives.

When estimates and proxies are used, disclosures under Article 8 of the Taxonomy Regulation may not be classified as "mandatory" and should be classified as "voluntary." To assess the eligibility and alignment of exposures, Klarna is often dependent on the information provided by its customers and merchants. In many cases, this information is not yet available. Therefore, Klarna has used alternative methods and estimates, which are described below under "Assumptions and methodology." If eligibility and alignment had been identified, the exposures would have been included as voluntary disclosures.

## Quantitative information

The following section presents the quantitative information that Klarna is required to report on for the financial year 2023. From January 1, 2024, Klarna must report on the Green Asset Ratio (GAR) and associated stock and flow KPIs following the mandatory templates in Annex VI of the Disclosure Delegated Act. In addition, Klarna must report on the eligibility of its exposures for the activities covered in the Environmental Delegated Act, as well as for the nuclear and gas-related activities, following the template provided in Annex XII of the Disclosure Delegated Act.

This results in the following list of mandatory templates:

- the "summary of KPIs" template,
- the "Covered Assets (on-balance sheet)" template that encompasses all on-balance sheet exposures,
- the "GAR - Sector information",
- the "GAR KPIs Stock",
- the "GAR KPIs Flow",
- the templates related to the eligibility of nuclear and gas-related economic activities.

All templates have been filled in using the available data and a best-effort approach and can be found in the Supporting Material below. Methodologies and data limitations are detailed in the sections further below.

Additional templates in Tables 5, 6, and 7 of Annex IV of the Disclosure Delegated Act are not reported on by Klarna for Financial Year (FY) 2023 as they are not yet in the scope of the mandatory reporting.

To comply with the Taxonomy requirements and ensure consistency between the financials in the annual report and the Taxonomy KPIs, the calculations are based on the same data used for Klarna's financial reporting under Regulation (EU) 2021/451<sup>5</sup> (FINREP).

At the end of the financial year 2023, Klarna's activities eligible under the EU Taxonomy accounted for 0% of its total covered assets both for the climate objectives and the four environmental objectives. The low eligibility score results from various factors such as data constraints, materiality evaluations, and the limited relevance of the current scope of the EU Taxonomy for Klarna's business, particularly regarding Klarna's predominant exposures, namely households. Further elaboration on this can be found in the subsequent sections of the report.

As alignment is assessed only for the eligible exposures for the climate objectives, it also amounted to 0%.

## Qualitative information

To ensure transparency and understanding of the reported metrics, Klarna must provide accompanying qualitative information. The requirements for the qualitative information and its content are set out in Annex XI of the Disclosures Delegated Act and are listed in the section "Regulatory reporting metrics."

### Scope of assets and activities covered by the metrics

The table below provides information on what is covered by each metric. The definitions correspond to those in the Disclosures Delegated Act and its Annexes, as referenced in the footnotes.

<sup>1</sup> <https://eur-lex.europa.eu/eli/dir/2014/95>

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32020R0852>

<sup>3</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013L0034>

<sup>4</sup> <https://www.fi.se/en/sustainability/sustainability-regulations/sustainability-reporting/>

<sup>5</sup> [Official Journal of the European Union](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R451)

**Table 1: Description of the required exposure categories of Annex VI**

Category	Description of the category
Total covered assets	Total loans and advances, debt securities, equities and repossessed collaterals and all other on-balance sheet assets on 31 December 2023 for Klarna Holding AB <sup>6</sup> excluding exposures to central governments, central banks, and supranational issuers.
<b>GAR – Covered assets in both numerator and denominator</b>	
Credit institutions	Undertaking, the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account <sup>7</sup> . Under the Taxonomy regulation for credit institutions, supranational issuers and central banks are excluded from the numerator (and therefore from the “credit institutions” category) and are accounted for separately.
Other financial corporations	All financial corporations and quasi-corporations, other than credit institutions, such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses, as well as remaining financial intermediaries, financial auxiliaries, captive financial institutions and money lenders <sup>18</sup> .
Non-financial undertakings	Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services. Under the Taxonomy regulation for credit institutions, the non-financial corporations must be split between European and non-European companies and between NFRD and non-NFRD companies.
Households	Individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households (‘NPISH’) and which are principally engaged in the production of non-market goods and services intended for particular groups of households shall be included.
Local governments financing	Loans granted by institutions to the local government.

<sup>6</sup> Klarna Bank AB (KBAB) is the entity holding the banking license. Thus, KBAB is the one authorized to conduct operations in compliance with the Swedish Banking and Financing Business Act (lending, accepting deposits and Forex operations). Then KBAB is owned by Klarna Holding AB.

<sup>7,8</sup> Commission Implementing Regulation (EU) 2021/ of 17 December 2020

**Table 1: Continued**

<b>Assets excluded from the numerator for GAR calculation (covered in the denominator)</b>	
Non-NFRD companies	Companies that do not fall within the scope of the Non-Financial Reporting Directive (NFRD) such as SMEs, non-EU country counterparties, and other non-financial companies that fall out of the scope of the NFRD. As granular data is (not yet) available within Klarna’s systems to assess whether an EU counterparty falls within the scope of the NFRD or not, it has been assumed for the present reporting period that all EU non-SMEs fall under the scope of the NFRD. This assumption supports a conservative approach with regards to the materiality consideration for the eligibility of covered non-financial companies.
Derivatives	According to the EBA guidance <sup>9</sup> , only derivatives not held for trading are covered under this section, and derivatives held for trading should be included in the trading book (when the institute has a trading book).
On-demand inter-bank loans	Balances receivable on demand with credit institutions.
Cash and cash-related assets	Cash and cash equivalent.
Other assets	Other assets cover tangible assets, intangible assets, prepaid expenses and accrued income.
<b>Assets not covered for GAR calculation</b>	
Central governments, central banks, and supranational users	Exposures to central governments, central banks, and supranational users. These exposures are not included in the total covered assets.
Trading book	All positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book as defined in Directive 2006/49/EC <sup>10</sup> .
Total assets	Total loans and advances, debt securities, equities, and repossessed collaterals and all other on-balance sheet assets on 31 December 2023 for Klarna Holding AB.

<sup>9</sup> [https://www.eba.europa.eu/sites/default/files/document\\_library/Publications/Draft%20Technical%20Standards/2022/1026173/Annex%20II%20-%20Instructions%20for%20ESG%20prudential%20disclosures%20templates.pdf](https://www.eba.europa.eu/sites/default/files/document_library/Publications/Draft%20Technical%20Standards/2022/1026173/Annex%20II%20-%20Instructions%20for%20ESG%20prudential%20disclosures%20templates.pdf)

<sup>10</sup> [Official Journal of the European Union](#)

## Assumptions and methodology

The purpose of this section is to provide a comprehensive explanation of the assumptions and methodology applied in Klarna's EU Taxonomy disclosure for the financial year 2023.

The GAR categorizes the exposures to counterparties into four groups: financial undertakings, non-financial undertakings, households, and local governments. In order to assess the eligibility of these exposures, a four-step process was followed for each category:

1. Identify Klarna's exposures amount to the counterparty.
2. Determine eligibility of the exposures where data is available.
3. Calculate Klarna's eligibility based on the amount of exposure to, and the eligibility of, the counterparty.
4. Structure the data in the GAR templates (see Supporting Material).

To assess the eligibility of the exposures, Klarna applied different methods within these four steps based on the categories to which it has exposure:

■ **Financial Undertakings:** The eligibility of this category has been assessed based on publicly available counterparty information. To calculate the eligibility of the exposures towards financial undertakings within the EU, Klarna first identified who its financial counterparties are. Then, it consulted the eligibility amounts reported in the counterparties' annual reports for FY 2022, as figures for FY 2023 were not yet publicly available. To mitigate this timeline misalignment, the draft FAQ published by the European Commission on December 21st, 2023<sup>11</sup> "encourages" reporting entities to reach out to their counterparties to gather non-publicly available information. For the financial year 2023, given the short notice of this information and the low impact of financial institutions (due to Klarna's model focusing on household exposures), Klarna has not reached out to its counterparties to gather additional information. However, Klarna will explore the feasibility of liaising bilaterally with its financial counterparties for future reporting periods.

Afterwards, Klarna calculated its own eligibility to financial undertakings based on the exposure it has towards the undertaking and their reported eligible amount.

Financial institutions are divided between NFRD and non-NFRD entities and are categorised under two sub-sections for the GAR calculations: credit institutions and other financial corporations. For credit institutions, the breakdown per counterparty was available in Klarna's reporting system and therefore the methodology described above was applied. For the other financial corporations, granular data and information on counterparties were not available. Therefore, Klarna has taken a conservative approach and assumed the eligibility to be zero due to a lack of data.

- **Non-financial undertakings:** To identify eligible assets for non-financial undertakings, Klarna analysed its portfolio using the NACE industry codes as stated in the Climate Delegated Act<sup>12</sup> and Environmental Delegated Act<sup>13</sup>, which provides guidance on the activities within the scope of the Taxonomy's eligibility. The exposure to customers registered with the corresponding NACE code is fully included as eligible if the description of the activity closely matches the official NACE code description.
- **Households:** All retail exposures or loans to private customers can be categorized as assets related to households. So far, only three types of exposures have been included in the Taxonomy as eligible for households. These include exposures for the renovation of buildings and motor vehicles, as well as loans collateralized by residential immovable property. Klarna does not grant motor vehicle loans, loans collateralized by residential immovable property, or for the renovation of buildings.
- **Local governments:** This category is assessed based on the exposure Klarna has to the local governments and their eligibility reporting.

Since Klarna offers a global payment and shopping service oriented toward retail customers, the majority of its covered assets come from what the Taxonomy refers to as "households". The second largest share of the total covered assets is "other assets", of which it is not required to consider the eligibility of these exposures. The exposures to "financial undertakings", "non-financial undertakings", and "local governments" only made up a small share of the total covered assets. To ensure the information and data are accurate, Klarna monitors their financial exposures to both financial and non-financial corporations on a daily basis based on their level of financial materiality.

Once eligibility for the various exposures was assessed, Klarna worked on defining the proportion of exposures aligned with the EU Taxonomy. To do so, Klarna has also used different methodologies based on the categories to which it has eligible exposures:

- **Financial undertakings:** As described above, only the exposures to credit institutions presented eligibility and were therefore considered for alignment. As for all credit institutions, the use of proceeds is unknown, the alignment of the eligible exposure was calculated by using the publicly available KPIs on Capex and Turnover for each eligible exposure as prescribed in Annex V of the Disclosure Delegated Act<sup>14</sup>.

- **Non-financial undertakings:** As non-financial undertakings represented an eligibility of 0 %, the exposures have not been assessed for alignment.

- **Households:** As households did not present eligibility, the exposures have not been assessed for alignment

- **Local governments:** As local governments did not present eligibility; the exposures have not been assessed for alignment.

The methodology described above for eligibility and alignment is likely to be updated as additional regulatory guidance on the EU Taxonomy is released, as market practice changes, and as customers disclose their eligibility and alignment numbers. The disclosed numbers may fluctuate as a result, and the data may differ significantly from the numbers presented.

<sup>11</sup> [Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU taxonomy Regulation on the reporting of taxonomy-eligible and Taxonomy-aligned economic activities and assets \(europa.eu\)](#)

<sup>12</sup> [European Commission](#)

<sup>13</sup> [https://finance.ec.europa.eu/system/files/2023-06/taxonomy-regulation-delegated-act-2022-environmental\\_en\\_0.pdf](https://finance.ec.europa.eu/system/files/2023-06/taxonomy-regulation-delegated-act-2022-environmental_en_0.pdf)

<sup>14</sup> [taxonomy-regulation-delegated-act-2022-environmental-annex-5\\_en\\_1.pdf \(europa.eu\)](#)

### Data limitations

In every category of exposure counterparties, Klarna faced some data constraints which affected the determination of the eligibility and alignment of the exposures. These are the following:

**1. Financial undertakings:** When assessing the eligibility of the exposures towards financial undertakings, data limitations are mainly found due to outdated and/or unavailable public data. The eligibility of the counterparties is based on publicly available data from reporting in the previous year and therefore does not accurately represent information for the current year. In addition, the reporting on the alignment for financial corporations became mandatory as of January 1, 2024. Therefore, publicly available data on that metric is only available for FY 2022 for the financial counterparties that had decided to report on it voluntarily. This means that the alignment reporting of Klarna for financial counterparties may be significantly impacted from FY 2024 when such data will be available from counterparties and allow Klarna to assess its own alignment.

**2. Non-financial undertakings:** Data limitations are mainly found in the use of NACE codes. Since companies may engage in a wider range of activities than indicated by the high-level NACE code available in Klarna’s systems, this may not accurately reflect all their business activities. As a result, the NACE proxy applied to each customer may underestimate or overestimate the activities of that customer’s eligibility. Furthermore, due to a lack of available data on the level of granularity required on counterparties and a non-material exposure, non-financial corporations are not further considered for eligibility and therefore alignment.

**3. Households:** For households, Klarna currently does not have any exposures covered in the scope of the GAR for credit institutions.

**4. Local governments:** Currently, no data is available to the level required to assess the eligibility of the exposures towards local governments.

### Summary of methodology and data limitations

The table below summarizes the methodology and data limitations considered when assessing the eligibility and alignment of various exposure categories.

**Table 2: Summary of methodology and data limitations**

Category	Methodology	Data limitations
Financial undertakings	The category is assessed based on the exposure Klarna had towards the financial undertakings and their eligibility and alignment reporting over the financial year 2022 if available (published voluntarily).	For most counterparties, data is not available due to the reporting requirements timeline. For some counterparties, data is available for FY 2022 based on voluntary disclosure and presents significant uncertainty due to estimations.  Due to the factors detailed above, and the exposure being relatively low, this category is not considered for eligibility.
Non-financial undertakings	The category is assessed using NACE codes to determine the eligible activities of non-financial undertakings. If applicable, the alignment would be assessed by using the counterparties’ reported alignment for the financial year 2022.	Due to a limited granularity in terms of mapping between Klarna’s internal categories and companies’ NACE codes and relatively low exposure, this category is not considered for eligibility or alignment.
Households	The category is assessed based on the exposure Klarna had towards its merchants and their eligibility and alignment reporting over the financial year 2022.	The exposure to households currently included in the GAR covers only three categories for which Klarna has either no exposure towards or no granular information available. As it represented a relatively low amount, this category was not considered for eligibility or alignment.
Local governments	The category is assessed based on the exposure Klarna had towards its merchants and their eligibility reporting over the financial year 2022.	As granular data to properly assess this category was not available, and due to the relatively low amount it represented, this category is not considered for eligibility or alignment.



## Taxonomy alignment in the business strategy, product design processes, and engagement with clients and counterparties

In the context of Klarna's EU Taxonomy disclosure for the previous financial year (2022), it was expected that a more significant proportion of loans made by the company to "households" would meet the eligibility criteria as the remaining four objectives became mandatory for reporting. The Circular Economy objective holds the most significant potential impact on Klarna. Indeed, some counterparties to which Klarna has exposure fall under activities covered under the Circular Economy environmental objective. Such activities could include the economic activities "5.2 Sale of spare parts", "5.4 Sale of second-hand goods," and "5.6 Marketplace for the trade of second-hand goods for reuse". However, the Green Asset Ratio for credit institutions has so far limited eligible household exposures to three categories: loans collateralized by residential immovable property, building renovation loans, and motor vehicle loans. Those categories fail to capture the potentially eligible exposures of Klarna under the Circular Economy environmental objective, as Klarna's households' exposures are mostly related to retail and consumer goods. Therefore, its eligibility was not impacted significantly by the introduction of the Environmental Objectives.

Klarna acknowledges its substantial role in promoting sustainability by providing its customers with more comprehensive information to make informed purchasing decisions. In line with this, the company is engaged in various sustainability initiatives, including the Conscious brands ratings initiative, the CO2 Emissions feature, donations touch points, and the promotion of second-hand shopping and reselling opportunities for consumers. These initiatives are described in detail in the ESG section of Klarna's consolidated report.

Klarna keeps exploring the synergies between its sustainability efforts and the Taxonomy. For instance, while collecting data for the Conscious brands ratings initiative through platforms like Good on You and Clarity AI, Klarna will also assess if the data required for the Taxonomy can be gathered simultaneously. Additionally, Klarna's circular shopping initiatives have the potential to impact its Taxonomy eligibility and alignment in the future, especially concerning the circular economy objective.

The company also recognizes its impact on its retail partners and has established processes and dialogue tools to encourage sustainable e-commerce and sustainability goals. These dialogues can also be leveraged to discuss the Taxonomy with retail partners.

Given the increasing efforts to adopt and comply with the Taxonomy, Klarna will continue to evaluate the best ways to integrate it into its business and processes.

### Materiality

In the context of ESG reporting, Klarna endeavours to provide information regarding its environmental and social impact to stakeholders, investors and customers. In this regard, ESG materiality helps to assess whether some information is relevant and essential to the company's ESG reporting. This helps to determine which sustainability topics Klarna should prioritize and, in turn, be included in the ESG section of the consolidated report.

Regarding the EU Taxonomy, Klarna provides loans to merchants and retailers that are considered as exposures to non-financial undertakings in the Taxonomy. Klarna also presents exposures to financial undertakings covered in the EU Taxonomy regulation. However, for the disclosure for the financial year 2023, Klarna's eligible exposure to financial and non-financial undertakings was deemed substantially low. Hence, considering materiality and data limitations, Klarna chose to exclude these exposures from its eligibility and alignment analysis.

# Supporting material

## 1. Summary of KPIs

		Total environmentally sustainable assets	KPI*	KPI**	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	Green asset ratio (GAR) stock	0	0	0	68%	14%	18%
		Total environmentally sustainable assets	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	GAR (flow)	N/A	N/A	N/A	N/A	N/A	N/A

\* based on the Turnover KPI of the counterparty.

\*\* based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.

\*\*\* % of assets covered by the KPI over banks' total assets.

## 2. GAR – Covered assets KPI

	Total [gross] carrying amount (SEK)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)			Water and marine resources (WTR)			Circular economy (CE)			Pollution (PPC)			Biodiversity and Ecosystems (BIO)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which enabling
<b>GAR - Covered assets in both numerator and denominator</b>	96,523,879,156																									
Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	96,523,879,156	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Financial undertakings</b>	9,558,681,780	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Credit institutions</b>	5,115,726,602	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	1,929,297,827	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities, including UoP	3,186,428,775	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments																										
<b>Other financial corporations</b>	4,442,955,178	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>of which investment firms</i>																										
Loans and advances																										
Debt securities, including UoP																										
Equity instruments																										
<i>of which management companies</i>																										
Loans and advances																										
Debt securities, including UoP																										
Equity instruments																										
<i>of which insurance undertakings</i>																										
Loans and advances																										
Debt securities, including UoP																										
Equity instruments																										
<b>Non-financial undertakings</b>	1,686,469,763	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	1,532,879,888	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities, including UoP																										
Equity instruments	153,589,875	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Households</b>	83,923,229,579	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>of which loans collateralised by residential immovable property</i>																										
<i>of which building renovation loans</i>																										
<i>of which motor vehicle loans</i>																										
<b>Local governments financing</b>	1,355,498,034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Housing financing																										
Other local government financing	1,355,498,034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Collateral obtained by taking possession: residential and commercial immovable properties</b>																										
<b>Assets excluded from the numerator for GAR calculation (covered in the denominator)</b>	19,697,137,470	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Financial and Non-financial undertakings</b>																										
<b>SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations</b>	273,790,424																									
Loans and advances	273,790,424																									
<i>of which loans collateralised by commercial immovable property</i>																										
<i>of which building renovation loans</i>																										
Debt securities																										
Equity instruments																										
<b>Non-EU country counterparties not subject to NFRD disclosure obligations</b>	24,768,913																									
Loans and advances																										
Debt securities																										
Equity instruments																										
<b>Derivatives</b>	584,314,383																									
<b>On demand interbank loans</b>	2,697,899,879																									
<b>Cash and cash-related assets</b>	10,636																									
<b>Other categories of assets (e.g. Goodwill, commodities etc.)</b>	16,116,353,236																									
<b>Total GAR assets</b>	116,221,016,626	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Assets not covered for GAR calculation</b>	25,204,987,208																									
<b>Central governments and Supranational issuers</b>	3,231,665,494																									
<b>Central banks exposure</b>	21,973,321,713																									
<b>Trading book</b>																										
<b>Total assets</b>	141,426,003,834	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations</b>																										
Financial guarantees																										
Assets under management																										
Of which debt securities																										
Of which equity instruments																										

1. This template shall include information for loans and advances, debt securities and equity instruments in the banking book, towards financial corporates, non-financial corporates (NFC), including SMEs, households (including residential real estate, house renovation loans and motor vehicle loans only) and local governments/municipalities (house financing).
2. The following accounting categories of financial assets should be considered: Financial assets at amortised cost, financial assets at fair value through other comprehensive income, investments in subsidiaries, joint ventures and associates, financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss, and real estate collaterals obtained by credit institutions by taking possession in exchange in of cancellation of debts.
3. Banks with non-EU subsidiary should provide this information separately for exposures towards non-EU counterparties. For non-EU exposures, while there are additional challenges in terms of absence of common disclosure requirements and methodology, as the EU taxonomy and the NFRD apply only at EU level, given the relevance of these exposures for those credit institutions with non-EU subsidiaries, these institutions should disclose a separate GAR for non-EU exposures, on a best effort basis, in the form of estimates and ranges, using proxies, and explaining the assumptions, caveats and limitations
4. For motor vehicle loans, institutions shall only include those exposures generated after the date of application of the disclosure.

### 3. GAR – Sector Information

Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
N/A	N/A	N/A		N/A	N/A			N/A	N/A			N/A	N/A			N/A	N/A			N/A	N/A			N/A	N/A			

1. Credit institutions shall disclose in this template information on exposures in the banking book towards those sectors covered by the Taxonomy (NACE sectors 4 levels of detail), using the relevant NACE Codes on the basis of the principal activity of the counterparty.
2. The counterparty NACE sector allocation shall be based exclusively on the nature of the immediate counterparty. The classification of the exposures incurred jointly by more than one obligor shall be done on the basis of the characteristics of the obligor that was the more relevant, or determinant, for the institution to grant the exposure. The distribution of jointly incurred exposures by NACE codes shall be driven by the characteristics of the more relevant or determinant obligor. Institutions shall disclose information by NACE codes with the level of disaggregation required in the template.

## 4. GAR KPIs Stock

### 4.1. GAR KPI – Stock Turnover

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)			Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)								
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered		
<b>GAR - Covered assets in both numerator and denominator</b>																																	
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0	0	0	0	0	0	0	0	0																								
<b>Financial undertakings</b>	0	0	0	0	0	0	0	0	0																								
Credit institutions	0	0	0	0	0	0	0	0	0																								
Loans and advances	0	0	0	0	0	0	0	0	0																								
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																								
Equity instruments																																	
Other financial corporations	0	0	0	0	0	0	0	0	0																								
of which investment firms																																	
Loans and advances																																	
Debt securities, including UoP																																	
Equity instruments																																	
of which management companies																																	
Loans and advances																																	
Debt securities, including UoP																																	
Equity instruments																																	
of which insurance undertakings																																	
Loans and advances																																	
Debt securities, including UoP																																	
Equity instruments																																	
<b>Non-financial undertakings</b>	0	0	0	0	0	0	0	0	0																								
Loans and advances	0	0	0	0	0	0	0	0	0																								
Debt securities, including UoP																																	
Equity instruments	0	0		0	0	0	0		0																								
<b>Households</b>	0	0	0	0	0	0	0	0	0																								
of which loans collateralised by residential immovable property																																	
of which building renovation loans																																	
of which motor vehicle loans																																	
<b>Local governments financing</b>	0	0	0	0	0	0	0	0	0																								
Housing financing																																	
Other local government financing	0	0	0	0	0	0	0	0	0																								
<b>Collateral obtained by taking possession: residential and commercial immovable properties</b>																																	
<b>Total GAR assets</b>	0	0	0	0	0	0	0	0	0																								

## 4.2. GAR KPI – Stock Capex

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)			Circular economy (CE)				Pollution (PPC)			Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered	
<b>GAR - Covered assets in both numerator and denominator</b>																												
Loans and advances, debt securities and equity instruments not Hft eligible for GAR calculation	0	0	0	0	0	0	0	0	0																			
<b>Financial undertakings</b>	0	0	0	0	0	0	0	0	0																			
Credit institutions	0	0	0	0	0	0	0	0	0																			
Loans and advances	0	0	0	0	0	0	0	0	0																			
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																			
Equity instruments																												
Other financial corporations	0	0	0	0	0	0	0	0	0																			
of which investment firms																												
Loans and advances																												
Debt securities, including UoP																												
Equity instruments																												
of which management companies																												
Loans and advances																												
Debt securities, including UoP																												
Equity instruments																												
of which insurance undertakings																												
Loans and advances																												
Debt securities, including UoP																												
Equity instruments																												
<b>Non-financial undertakings</b>	0	0	0	0	0	0	0	0	0																			
Loans and advances	0	0	0	0	0	0	0	0	0																			
Debt securities, including UoP																												
Equity instruments	0	0		0	0	0	0		0																			
<b>Households</b>	0	0	0	0	0	0	0	0	0																			
of which loans collateralised by residential immovable property																												
of which building renovation loans																												
of which motor vehicle loans																												
<b>Local governments financing</b>	0	0	0	0	0	0	0	0	0																			
Housing financing																												
Other local government financing	0	0	0	0	0	0	0	0	0																			
<b>Collateral obtained by taking possession: residential and commercial immovable properties</b>																												
<b>Total GAR assets</b>	0	0	0	0	0	0	0	0	0																			

1. Institution shall disclose in this template the GAR KPIs on stock of loans calculated based on the data disclosed in template 1, on covered assets, and by applying the formulas proposed in this template

2. Information on the GAR (green asset ratio of 'eligible' activities) shall be accompanied with information on the proportion of total assets covered by the GAR

3. Credit institutions can, in addition to the information included in this template, show the proportion of assets funding taxonomy relevant sectors that are environmentally sustainable (Taxonomy-aligned). This information would enrich the information on the KPI on environmentally sustainable assets compared to total covered assets

4. Credit institutions shall duplicate this template for revenue based and CapEx based disclosures

## 5. GAR KPIs Flow

### 5.1. GAR KPI – Flow Turnover

% (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				Proportion of total assets covered	
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling					
<b>GAR - Covered assets in both numerator and denominator</b>																															
Loans and advances, debt securities and equity instruments not Hft eligible for GAR calculation	0	0	0	0	0	0	0	0	0																						
<b>Financial undertakings</b>																															
Credit institutions	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
Other financial corporations	0	0	0	0	0	0	0	0	0																						
of which investment firms	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
of which management companies	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
of which insurance undertakings	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
<b>Non-financial undertakings</b>																															
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
<b>Households</b>																															
of which loans collateralised by residential immovable property	0	0	0	0	0	0	0	0	0																						
of which building renovation loans	0	0	0	0	0	0	0	0	0																						
of which motor vehicle loans	0	0	0	0	0																										
<b>Local governments financing</b>																															
Housing financing	0	0	0	0	0	0	0	0	0																						
Other local government financing	0	0	0	0	0	0	0	0	0																						
<b>Collateral obtained by taking possession: residential and commercial immovable properties</b>																															
<b>Total GAR assets</b>	0	0	0	0	0	0	0	0	0																						

## 5.2. GAR KPI – Flow Capex

% (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered			
<b>GAR - Covered assets in both numerator and denominator</b>																														
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0	0	0	0	0	0	0	0	0																					
<b>Financial undertakings</b>	0	0	0	0	0	0	0	0	0																					
Credit institutions	0	0	0	0	0	0	0	0	0																					
Loans and advances	0	0	0	0	0	0	0	0	0																					
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																					
Equity instruments	0	0	0	0	0	0	0	0	0																					
Other financial corporations	0	0	0	0	0	0	0	0	0																					
of which investment firms	0	0	0	0	0	0	0	0	0																					
Loans and advances	0	0	0	0	0	0	0	0	0																					
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																					
Equity instruments	0	0	0	0	0	0	0	0	0																					
of which management companies	0	0	0	0	0	0	0	0	0																					
Loans and advances	0	0	0	0	0	0	0	0	0																					
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																					
Equity instruments	0	0	0	0	0	0	0	0	0																					
of which insurance undertakings	0	0	0	0	0	0	0	0	0																					
Loans and advances	0	0	0	0	0	0	0	0	0																					
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																					
Equity instruments	0	0	0	0	0	0	0	0	0																					
<b>Non-financial undertakings</b>	0	0	0	0	0	0	0	0	0																					
Loans and advances	0	0	0	0	0	0	0	0	0																					
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																					
Equity instruments	0	0	0	0	0	0	0	0	0																					
<b>Households</b>	0	0	0	0	0	0	0	0	0																					
of which loans collateralised by residential immovable property	0	0	0	0	0	0	0	0	0																					
of which building renovation loans	0	0	0	0	0	0	0	0	0																					
of which motor vehicle loans	0	0	0	0	0	0	0	0	0																					
<b>Local governments financing</b>	0	0	0	0	0	0	0	0	0																					
Housing financing	0	0	0	0	0	0	0	0	0																					
Other local government financing	0	0	0	0	0	0	0	0	0																					
<b>Collateral obtained by taking possession: residential and commercial immovable properties</b>	0	0	0	0	0	0	0	0	0																					
<b>Total GAR assets</b>	0	0	0	0	0	0	0	0	0																					

1. Institution shall disclose in this template the GAR KPIs on flow of loans calculated (new loans on a net basis) based on the data disclosed in template 1, on covered assets, and by applying the formulas proposed in this template
2. Credit institutions shall duplicate this template for revenue based and CapEx based disclosures



## 6. Eligibility of exposures to the nuclear and gas-related activities

<b>Nuclear energy related activities</b>	
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

<b>Fossil gas related activities</b>	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

# Task Force on Climate-related Financial Disclosures (TCFD)

## Governance

### TCFD Disclosure recommendation

A. Describe the Board’s oversight of climate-related risks and opportunities

### Klarna 2023 Disclosure

In delivering our global business strategy, we pay particular attention to Environmental, Social, and Governance (ESG) factors. This includes climate-related risks, which constitute a focal monitoring area in our long-term financial and business success. For this, in Klarna we use climate-related risk management tools, such as correlation analysis or climate scenario analysis, to offer a long-term view of climate-related risks. This robust risk management approach is encapsulated within Klarna’s Risk Management framework, ensuring these risks are systematically quantified, monitored, and mitigated.

Our Board of Directors (“Board”) and its committees, as well as the Group Management Team, have clearly defined roles in our risk management processes, which also cover ESG risks:

**Quarterly:** Our Board receives comprehensive reports on ESG risks, including those climate-related, which offer a perspective on our management policies and practices. This quarterly reporting goes beyond merely presenting risks and also communicates our achievements, strategic plans, and progress towards our net-zero commitment.

**Annually:** The Board takes an active role in the sign-off and review of the annual ESG report. This document not only outlines Klarna’s climate plans but encapsulates our past achievements and future targets. Through this, the Board maintains an overview of Klarna’s ESG approach, progress, and can provide constructive feedback for further enhancement of our operations.

Our commitment to effective oversight of ESG factors, backed by regular Board oversight, contributes to our goal of sustainable growth and long-term business success. Our approach’s primary objectives encompass climate initiatives that enable consumers to shop in alignment with their values and promote circularity, which align with Klarna’s climate commitment.

B. Describe management’s role in assessing and managing climate-related risks and opportunities

Our Chief Marketing Officer (CMO) oversees Klarna’s sustainability programs, in close collaboration with the Sustainability Group. This is complemented by the Chief Financial Officer’s (CFO) who keeps regular communication with the Risk Control domain, which holds strategic and ESG risks monitoring responsibilities. Alongside these core teams, several other functions within our organization contribute to effectively manage our climate-related risks and opportunities.

We have clear routines to communicate and oversee climate-related risks:

**Monthly:** Follow-up meetings with our senior management team, in which relevant team updates regarding our sustainability and ESG performance, including climate initiatives, risk control practices are shared.

**Quarterly:** The Group Management Team receives the independent Risk Control evaluation of the ESG Risk analysis, which includes climate-related risks and opportunities.

**Annually:** The Group Management Team receives assesses and approves the work plans of the Sustainability Group and ESG risk teams during the annual business planning. This process includes an in-depth review of the risk taxonomy and the risk appetite statement in regards to climate-related risks and opportunities.

## Strategy

### TCFD Disclosure recommendation

A. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

### Klarna 2023 Disclosure

#### 1. Transition Risks (Medium Term):

##### a. Policy and Legal:

Emerging climate-centric regulations, notably around emissions reporting and carbon pricing create transition risks in the form of potential operational, compliance and non-compliance costs.

Adhering to new and evolved regulatory frameworks could result in a significant increase of operational, administrative and third-party advisory costs. Non-compliance may result in legal and financial repercussions including regulatory costs or litigation, as well as reputational costs.

While Klarna’s carbon footprint is relatively small compared to overall business volumes, an expansion and increase of carbon pricing across the economy could have a direct impact on Klarna’s operational costs.

Overall, policy and legal transition risks are assessed as low and are actively monitored through Klarna’s ESG reporting and climate action activities.

##### b. Market:

Klarna connects consumers and merchants to deliver a safe and superior commercial experience. Klarna specializes in payments, factoring, and consumer credits with low order values and short duration. Klarna’s business volumes are therefore directly linked to consumer spending.

Increasing awareness of the climate impacts of goods and services might have an impact on consumer purchasing behavior, e.g. by lowering consumer spending overall or by shifting consumption towards goods and services perceived to be more sustainable.

These potential shifts in the market create transition risks to Klarna e.g. by decreasing overall transaction volumes on Klarna's platform or by shifting consumption away from product categories that have high commercial significance for Klarna but are not perceived to be sustainable. However, they also present an opportunity for Klarna to strengthen its position in the market by catering to consumers' changing preferences, e.g. providing credible information about sustainability aspects of goods and services to consumers or offering used and refurbished goods on the platforms. Klarna actively pursues this opportunity with its evolving portfolio of sustainability information offerings on its platforms.

Overall, climate transition risks from market transformation are considered low and are actively mitigated through the continued strengthening of the sustainability proposition in Klarna's products.

**c. Reputational:**

The risk of reputational transition impacts primarily emerge from Klarna's potential association with brands and merchants that face scrutiny for the climate impact of their business models and the perception that Klarna contributes to this impact indirectly.

Overall, these risks are considered low and Klarna actively manages these factors by pursuing a highly ambitious climate strategy for its own impact as well as by creating transparency over the emissions related climate impact of purchases via the Klarna app with the CO2e tracker function, which provides consumers with information about the carbon footprint of their purchases and provides them with advice on using their items more sustainably.

**2. Physical Risks (Long Term):**

**a. Acute:**

The acute physical risks from extreme weather events can be differentiated between the direct exposure of Klarna's operations and the exposure of our merchant partners.

Klarna's business-critical operations are largely reliant on cloud-based IT systems and therefore less exposed to the direct impacts of extreme weather events, allowing for operational resilience.

The operations of our more than 550,000 merchant partners across 25 countries are directly reliant on globally distributed production and logistics infrastructure, creating significant exposure to disruptions from extreme weather events like floods, hurricanes or wildfires. These disruptions could affect their business and financial stability, which in turn, may impact transaction volumes on Klarna's platform.

However due to the high diversification of Klarna's business across geographies, sectors and merchants, the aggregate risk from acute weather events for Klarna has been assessed as low.

**b. Chronic:**

Over time, chronic physical risks from climate-related events may present challenges for the material sourcing and operations of some Klarna's retail partners, particularly in regions exposed to extreme weather events. However, based on Klarna's business diversification, these risks are currently considered to be low for Klarna's own business.

**3. Opportunities:**

**a. Climate Leadership:**

Klarna's ambitious and innovative climate goals and strategy position the company as a leader amongst peers, strengthening the brand in the eyes of customers, merchant partners and other stakeholders and providing a credible foundation for its sustainability products on its platforms.

**b. Climate Stewardship:**

Klarna has an opportunity to establish itself as a go-to destination for environmentally conscious shoppers. Building on its existing offerings that highlight climate and sustainability related performance of products and merchant partners, Klarna is well-positioned to capitalize on this growing market-segment.

B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

The identified climate-related risks and opportunities inform Klarna's ambitious and innovative climate strategy as well as its sustainability product roadmap.

Klarna's climate strategy focuses on reducing its value chain emissions to Net Zero GHG emissions by 2040 and on our journey there price the remaining emissions with an internal carbon tax. The raised funds from this carbon tax are then used to finance high impact climate solutions via the Milkywire Climate Transformation Fund. This is in line with recommended best practice, e.g. the **World Wildlife Fund (WWF) and Boston Consulting Group (BCG)** blueprint for corporate action on climate and nature. It guides how companies measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects. This approach mitigates the regulatory and reputational risks identified above while also capitalizing on the opportunities identified around climate leadership.

Klarna's sustainability product roadmap aims to empower consumers to make more environmentally conscious purchasing decisions, e.g. by informing them about the carbon footprint of their purchases as well as highlighting brands and products with particular sustainability characteristics in its user touchpoints. This approach mitigates the market risks identified above while also capitalizing on the opportunities identified around climate stewardship.

C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2-degree or lower scenario

Klarna is committed to gaining a comprehensive understanding of how climate change scenarios can help us assess the impact of business risks and opportunities. We've recently completed our climate scenario analysis with the goal of enhancing our understanding of Klarna's strategic resilience across various future climate scenarios and identifying different potential solutions. These scenarios were developed in collaboration with recognized organizations such as the Network for Greening the Financial System (NGFS) and take into account a range of temperature changes and additional climate variables at both the national and international levels.

The focus of this report is on the 2030 time horizon. While Klarna is an agile company with capital planning and strategies that align with banking regulations, we recognize that certain climate impacts may take longer to manifest. Therefore, in this first version of the climate scenario analysis, a 2030 time horizon is considered appropriate.

By considering these scenarios and employing an internal methodology that adheres to best practices in climate scenario analysis, we assess the climate impact from three main perspectives: Macroeconomic GDP impact (transitional and physical impact), changes in consumer consumption behavior, and regulatory compliance. The conclusions of this analysis enable us to develop a long-term resilience program for Klarna, providing the organization with a strategic roadmap that presents new opportunities to leverage our ESG profile via key projects with internal and external stakeholders.

# Risk management

## TCFD Disclosure recommendation

A. Describe the organization’s processes for identifying and assessing climate-related risks

## Klarna 2023 Disclosure

At Klarna, our comprehensive approach to identifying, assessing, and managing climate-related risks is centered around an integrated strategy. This strategy connects within the overall risk management framework, which leverages the insights of our stakeholders, and maximizes the expertise across our organization.

Our process is built upon, among other, the double materiality assessment performed by the Sustainability Group in November 2021. This assessment provides a holistic understanding of Klarna’s most material ESG themes according to our key stakeholders (internal and external). These ESG themes, and areas of priority, are then considered as part of our ESG Risk Assessment which enables us to identify strategic areas and drive risk mitigation from a standpoint aligned with both our stakeholders’ views and Klarna’s different teams. As part of the risk assessment we then assess the potential likelihood and impact of those specific ESG risks.

This is an annual exercise that we regularly update to adapt to Klarna’s evolving business landscape, including new products and markets of operation.

Following the annual exercises, and to enrich our understanding of our risk landscape, we actively engage with teams across the organization through deep dives and workshops. By drawing upon their expertise, we can uncover and manage further key residual ESG risks that Klarna may be exposed to.

Examples of these joint efforts that drive further mitigation actions or even open new lines of climate-related engagement, are such as our climate scenario analysis. This comprehensive approach allows us to consider the broader implications of climate change risks beyond their direct impact.

B. Describe the organization’s processes for managing climate-related risks

At Klarna, the cornerstone of our risk management lies in a three-tiered defense model, ensuring all aspects of our organization work in tandem to identify, assess, and mitigate potential risks, including those associated with climate change.

Our first line of defense, the Business Line, is actively engaged in daily operations, ensuring the implementation of necessary control measures to maintain an acceptable level of risk exposure. Meanwhile, the Control Functions, our second line of defense, provides the necessary frameworks and processes that support independent oversight of ESG and climate-related risks. Working closely with the Business Line, Control Functions enhance Klarna’s internal assessments, particularly for ESG initiatives, thus strengthening our proactive risk management.

The collaboration from these first two lines is fortified by the third line of defense; the Risk Assurance. Providing an overarching lens, they validate and offer feedback on the maturity and effectiveness of existing controls, ensuring comprehensive risk management across all areas of our business.

Our integrated model breaks down traditional silos between the lines of defense to encourage collaboration, which is especially evident in strategic initiatives related to climate change. Examples of such initiatives are climate correlation analysis and assessing the potential impacts of climate events on our stakeholders (i.e. merchants).

Our dynamic risk management approach continually adapts to evolving risks and regulatory developments. A testament to this is our proactive preparation to the forthcoming Corporate Sustainability Reporting Directive (CSRD), where we are developing an action plan to align our governance and risk management procedures effectively.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management

At Klarna, we recognize the need to integrate our approach to climate-related risks into both our strategic risk framework and the broader Klarna risk management framework. This framework operates on the three-tiered defense model previously mentioned. This model enables us to effectively manage ESG risks, including climate-related risks, which also could act as drivers for other risk areas within Klarna (i.e. operational or credit risk). Consequently, our risk assessments do not only evaluate the direct nature of climate-related risks, but also their transmission channels throughout our risk taxonomy.

This approach to risk management is integrated into our ways of working and communication channels throughout the ESG governance and risk control teams within Klarna. This integration promotes close collaboration between the first and second lines of defense, especially during strategic initiatives like our climate scenario analysis and ESG annual reporting. By aligning actions and maintaining ongoing communication through multiple scopes, we ensure a holistic risk management.

# Metrics and targets

## TCFD Disclosure recommendation

A. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

## Klarna 2023 Disclosure

At Klarna, we monitor a range of metrics to assess climate-related risks and opportunities.

Some of our key metrics include (non-exhaustive):

1. **Revenue intensity:** It calculates our emissions relative to our revenue, providing a benchmark for environmental efficiency within our business operations.
2. **Number of items covered by the CO2e emissions tracker:** In alignment with our efforts to encourage more sustainable shopping, we provide consumers with information to understand the estimated CO2e on a product level in certain product categories (e.g. fashion products).
3. **Partnerships donation impact:** Number of customers who donate and total donations towards planet health causes.
4. **Green electricity usage:** This metric helps us assess our progress towards renewable energy utilization and the reduction in our reliance on traditional, carbon-intensive energy sources.
5. **Purchase volume - more sustainable brands and circularity services:** We track the absolute and relative purchase volume of more sustainable products and brands that are highlighted on our platform.

To align with the upcoming regulations such as the Corporate Sustainability Reporting Directive (CSRD) we are undergoing a review of our ESG metrics. The aim is to ensure we are capturing and reporting the most pertinent data points, considering Klarna’s breadth and diversity in providing multiple products across diverse markets.

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B. Redovisa Scope 1, Scope 2 och, om tillämpligt, Scope 3 utsläpp av växthusgaser (GHG) och relaterade risker	Klarna calculates its annual GHG emissions in line with the GHG Protocol's relevant standards.  Klarna's 2023 GHG emissions are <sup>1</sup> :  Scope 1: 67 tCO <sub>2</sub> e Scope 2: 52 tCO <sub>2</sub> e Scope 3: 109,824 tCO <sub>2</sub> e
C. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Klarna has opted to follow the <b><u>World Wildlife Fund (WWF) and Boston Consulting Group (BCG) blueprint</u></b> for corporate action on climate and nature, which serves as a guide for companies to measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects.  Our commitment has three broad components:  <ol style="list-style-type: none"><li>1. we will annually price all of our scope 1, 2, and 3 emissions with an internal carbon tax and use the resulting funds to finance high impact climate solutions.</li><li>2. by 2030, we will reduce our revenue-based carbon intensity by 50% across scope 1, 2 and 3 against a 2019 baseline.</li><li>3. by 2040, we aim to reach net zero scope 1, 2 and 3 emissions.</li></ol>

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<sup>1</sup> The wording of these commitments has been changed since the previous year to provide additional clarity on their substance.

Auditor's report – Translated from Swedish signed version

To the general meeting of the shareholders of Klarna Holding AB, corporate identity number 556676-2356

Report on the annual accounts and consolidated accounts

*Opinions*

We have audited the annual accounts and consolidated accounts of Klarna Holding AB for the year 2023 except for the sustainability statement on pages 12-60 and the corporate governance statement on pages 61-68. The annual accounts and consolidated accounts of the company are included on pages 9-113 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act 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. The consolidated accounts have been prepared in accordance with the Annual Accounts Act 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. Our opinions do not cover the sustainability statement on pages 12-60 and the corporate governance statement on pages 61-68. 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.

*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.

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

*Key Audit Matters*

Key audit 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 as a whole, 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
<p>As described in Note 20 of the consolidated financial statements the gross loans to the public were SEK 89 602 million for the consolidated accounts, and the corresponding allowance for expected credit losses was SEK 3 494 million per the 31<sup>st</sup> of December 2023.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>We have examined management's analysis of expected credit losses, reviewed underlying model documentation and evaluated the outcome of management's model validation procedures.</p> <p>We have tested, on a sample basis, the underlying data used in the supporting calculations including review of PD and LGD components and segmentation.</p> <p>We have examined and assessed the assumptions and parameters used in the models and compared actual losses to expected, including a lookback analysis.</p> <p>We have further assessed the reasonableness of any manual adjustments to the ECL.</p> <p>Additionally, we have reviewed the disclosures related to the allowance for expected credit losses for loans to the public.</p>

*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 and 9-113. 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 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

*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.

- 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.

- 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].

*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 Holding AB 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 Annual Accounts Act 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 61-68 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.

#### *Auditor's report on the statutory sustainability statement*

It is the Board of Directors who is responsible for the statutory sustainability statement on pages 12-60 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability 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 statutory sustainability statement has been prepared.

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**