

Klarna.



# Full Year Results 2021.

Klarna Bank AB (publ). Corp.ID 556737-0431  
January - December 2021

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# Financial information 2021

The information is presented for the Klarna Bank Group, if not otherwise stated.

Strong performance of the business over the year has delivered:

**42%**

(46)<sup>1</sup>  
Gross merchandise volume<sup>2</sup>  
– YoY growth

**31.3%**

(29.5)  
CET 1 ratio  
Klarna Holding Group

**38%**

(40)<sup>1</sup>  
Total net operating income  
– YoY growth

**147m**

Active consumers

**400k+**

Global retail partners

**45**

Countries

**USD  
80bn<sup>3</sup>**

(53bn)<sup>1</sup> Gross merchandise volume<sup>2</sup>  
SEK 689bn (484)

**USD  
1.6bn<sup>3</sup>**

(1.1bn)<sup>1</sup> Total net operating income  
SEK 13,754m (10,000)

1. All growth figures are based on SEK results figures.
2. Total monetary value of sold products and services through Klarna over a given period of time.
3. Klarna's results are reported in SEK. To arrive at USD values, the average exchange rates for 2019, 2020 and 2021 have been used; 1 USD equals approximately 9.5 SEK for full year 2019, 1 USD equals approximately 9.2 SEK for full year 2020, and 1 USD equals approximately 8.6 SEK for full year 2021.

# To our Shareholders.



# To our Shareholders

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To our Shareholders,

Another year of high growth and improved economics.

In 2016 we formulated an idea of the future of banking and financial services. That banks - that sit at the core of the financial side of our lives - could and should play a very different role for us than they have done historically. They should put customers first! Banks should innovate to help consumers save time, save money, give them control, and ultimately improve people's finances, and make them worry less. Since then we have been on a mission to realize that vision. It has not been easy and it has required us to look at ourselves in the mirror and turn every stone on our own practices.

When we launched Klarna 17 years ago, we focused on providing a better digital version of existing banking services. On helping customers buy online more safely and without unnecessary friction. But we borrowed much of our business model from the banks. At the time, we did not really reflect on late fees, high interest or revolving - the mechanism of being able to borrow repeatedly but never actually getting out of debt. Those were simply accepted standard industry practices. By 2016 we had matured and come to question a lot of that - the way it has always been done is not the way it has to be.

We made tons of changes but we knew we still had even more ahead of us. We also realized that we wanted to strike a balance. We knew we needed to change our practices but to do that we needed to question what was really broken in the system and ensure again we did not take the easier path of following traditional banks. Banks, in a rush to avoid any potential angle of criticism, had abandoned huge amounts of consumers on low incomes to the hands of payday lenders and loan sharks. As former FCA executive Chris Woolard expressed it more

recently in the UK: "A sustainable market needs more alternatives to high-cost credit...the biggest potential harms occur where there is a need for those on lower incomes or benefits to borrow." <sup>1</sup>

This brings us to today, I will explain in detail later on what these changes are, and while I am immensely proud of them, I am also very proud of Klarna's other achievements in 2021. We are now serving more than 100m active customers across the world, and our free short-term credit products have become an expression: BNPL. But we have also continued to grow our Pay Now immediate settlement option that today represents c40% of transaction volumes. With some truly exciting companies like Stocard and Hero joining Klarna, our active consumer number will grow to over 147m. We have also massively accelerated our global expansion with the addition of 10 new markets since the start of 2020.

Our app is becoming exactly that central place in our consumers' financial lives, and since how we spend our money is a big piece of that, Klarna has also risen to become a natural platform for many more shopping services. With more than 301m successful matches of consumers to brands and retailers, this has further accelerated our partner network to over 400k+ global retailers. As a result, merchandise volumes are at record levels of USD 80bn and we are seeing very exciting numbers in our in-store offering now live across c80,000 retail locations in the US like Macys, Sephora and Footlocker, and partnerships with the top 3 largest mall operators in the US.

As exciting all of this is, it is not what makes me the proudest. What makes me the proudest is the major accomplishments achieved in our underwriting capabilities AND the critical business model decisions that were decided and executed throughout 2021 that marks the full transformation into a world leading sustainable bank business model that will return billions into the hands of consumers.

<sup>1</sup> <https://www.fca.org.uk/publication/corporate/woolard-review-report.pdf>

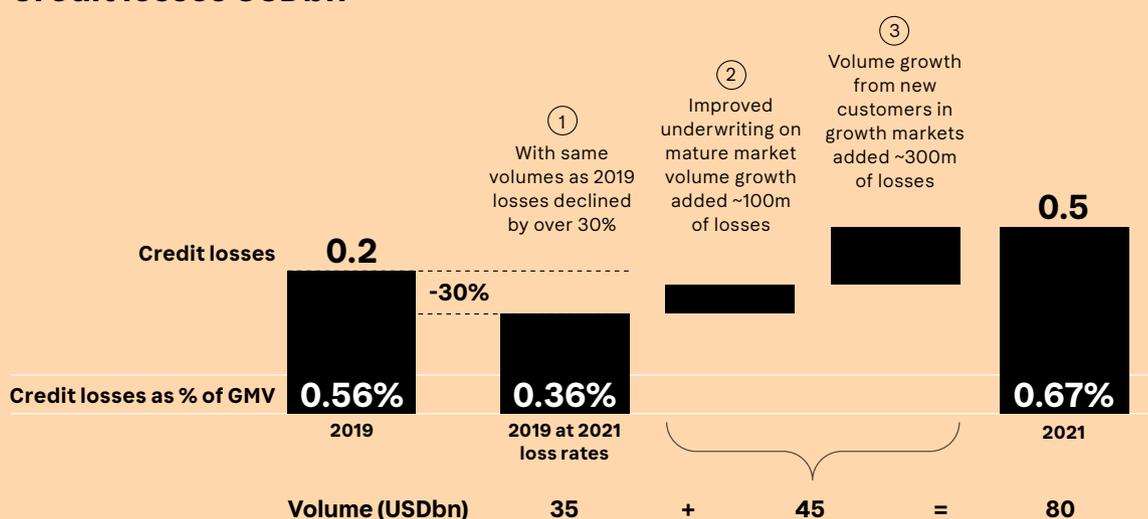
## Losses at all time low

With our focus on creating products which consumers love powered by effective underwriting - our credit loss rates have reduced by over 30% since 2019.<sup>2</sup> This is a major achievement, most importantly since behind that numerical reduction is the lives of tens of thousands of consumers where we have avoided adding to an unhealthy debt burden. The detailed reader will however notice that in absolute terms our credit losses are growing, not shrinking. This is entirely explained by Klarna's growth, expansion to new markets and massive inflow of new customers. It is more

challenging to underwrite a new customer compared to an existing returning one.

As one can see in the graph below, if our merchandise volumes were the same as 2 years ago, our losses using today's underwriting models would be 30% lower (#1). However the additional volume through our strong growth even with those new more efficient underwriting models is adding an additional ~USD 100m<sup>3</sup> of losses (#2). Finally as seen in #3, the addition of new markets and new customers where loss levels are initially higher is then adding an additional ~USD 300m<sup>3</sup> of losses.

### Credit losses USDbn



One particular strong and important development is the US. It is our fastest-growing key market, and soon to be our largest market. We have reduced our credit losses by 60% since 2019.

A unique thing that sets Klarna apart from the industry is how we underwrite and onboard consumers to our credit products. Credit cards make one initial assessment at sign up, give you a credit limit and then encourage you to spend, spend, spend. They hope the consumer will make the minimum repayments and pay interest on the balance - forever - because that's their business model.

Our extensive research and interviews with consumers finds that with those suffering persistent debt, most often there is sadly a broader addictive behavior that sits at the center of those consumers' situations. The majority of their debt will be with high-cost credit cards, unsecured loans, payday lenders etc. In addition to that they will most often have overdue electricity bills, phone bills, rent. Since Klarna never lends cash and the outstanding balance on average is USD 100, when consumers find themselves in debt, the amount owed to Klarna represents about 2% of their total debt. It is important to us to try to avoid them having an additional Klarna bill in what is already a challenging situation.

<sup>2</sup> Credit losses comparison between 2019 actuals and "2019 at 2021 loss rates", where the latter has been calculated applying, at country level, 2021 credit loss rates to 2019 merchandise volume.

<sup>3</sup> Calculated applying, at country level, 2021 credit loss rates to the 2019-2021 volume growth.

Klarna's model is much more sustainable. When a consumer chooses Klarna for the first time, we give consumers a small line of credit, usually around USD 100. Then we do a new assessment for each and every transaction they make. We see that consumers can use the product responsibly before we make small increases in the amount available to

them. This is why 99% of our lending is repaid and our losses are below the card industry standard. This also means that on average a consumer in arrears will owe us USD 100 compared to a US consumer who on average will have an outstanding balance of over USD 5,000 on their traditional credit card.<sup>4</sup>

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## Consumers have no interest in paying interest and they should pay with money they have

Let's set the record straight once and for all. Consumers should first and foremost pay with money they have. Period. This is why we are continuing to expand our Pay Now option. We are especially proud to launch it in the UK. Less known is that Klarna owns the world's largest account-to-account based payments infrastructure, through our acquisition of Sofort back in 2014. This allows us to create a truly unique and cost efficient alternative to the existing payments network. Again we are happy to see that c40% of our transaction volume is Pay Now and we expect that share in physical stores to come closer to 90%.

Online however, credit makes sense. The opportunity to touch and feel before you pay, the ability to avoid having to wait for your money back while retailers' process returns are just two great examples of where credit makes sense, but there are many more. In fact it is not credit itself that is the problem. Former FCA executive Chris Woolard stated in a UK report on BNPL stated: "credit makes

economies work and has a social purpose."<sup>5</sup> The problem is what form of credit. High-cost credit, credit that encourages you to push debt forward indefinitely as well as tons of other poor practices by credit card companies, banks and other less serious actors really are a menace to society. In 2021 Klarna removed the last elements of such business practices that we had inherited from the industry. No more revolving, always 30 days rather than 15 days to pay, and the removal of tons of additional fees puts us at the very front of sustainable credit and payments products.

These changes do not come without consequences, we estimate that, all else equal, our annualized revenue for 2021 and 2022 would be c10%<sup>6</sup> higher and that we have already returned USD 50m<sup>7</sup> to the pockets of our consumers in Q4 2021 alone. These actions are supported by our merchants and consumers, who are already rewarding us with long-term sustainable relationships that far outstrip the short-term impact of these changes.

<sup>4</sup> Experian, 2021

<sup>5</sup> <https://www.fca.org.uk/publication/corporate/woolard-review-report.pdf>

<sup>6</sup> Calculated by taking revenue forgone in Q4-21 as a result of these changes (\$50m) over Q4-21 net operating income.

<sup>7</sup> Revenue impact calculated by adding back fees and charges that have been removed from our consumer offerings as part of our updated practices.

## The true heroes

The true heroes that have made those changes possible, however are our 400k+ retail partners. We salute and thank you for your support.

They also made it entirely clear to us that they were fed up with the old models. For too long the credit card markets have been rigged against them. While networks have been able to charge high interchange fees for credit card acceptance, banks have not used those funds to offer attractive financing options to their consumers. Instead, banks have pocketed the interchange fees and in addition to that, charged their consumers staggering interest rates of up to 60% APR<sup>8</sup> for any financing options. All of which has benefited the banks and the banks only. What makes this even worse is credit cards have functioned as a massive redistribution of wealth by either entirely excluding low income households or charging them high APRs. High income households have been given free interest options in combination with aggressive cashback and loyalty points systems effectively working as a redistribution of wealth from the poor to the

rich - an inverted Robin Hood if you like. In the US, the lowest income households pay USD 21 in fees and interest while the highest income households reap USD 750<sup>9</sup> in rewards. Retailers told us 'no more': with Klarna's model their cost of payments goes directly to the pocket of consumers in the form of short-term interest-free credit that further increases their spending power. And when finance is available at zero cost, consumers reward them with their loyalty. This is the ultimate purpose of financial services to grow and make markets function more....well yes, smoothly.

Finally, I would like to say that this great progress could not have been achieved without the commitment and ambition of our passionate and ambitious employees and the tremendous support of our shareholders. We are far from done and I hope you will continue to stand behind us as we continue on this challenging but extremely fun journey.

Sebastian

<sup>8</sup> nerdwallet.com;  
banktracker.com

<sup>9</sup> Federal Reserve Bank  
of Boston

# Key Achievements 2021.



# Key Achievements 2021

**80bn**

USD Gross  
Merchandise Volume

**147m**

Active consumers

**45**

Countries

**400k+**

Global retail partners

In 2021 we expanded the Klarna ecosystem to vastly increase consumer touchpoints across markets, services and products to fuel the growth of our 400,000+ retail partners with sustainable payments. Consumers value Klarna's integrated products that save them time and

money by helping them make informed decisions and take control of their finances, increasing loyalty and return visits over time. As a result consumer adoption has accelerated with over 100m consumers using Klarna with a further 47m users added through acquisitions.

**25m**

US consumers

**+71%**

US consumer growth

**3x**

US GMV in  
2021 vs 2020

**30**

Retail partners in  
US top 100

The US continues to be Klarna's fastest-growing key market by volume and now Klarna's second-largest by revenue, much of it fuelled by the app's success. US volumes have more than tripled YoY, fuelled by 71% growth in Klarna US consumers to 25m in January 2022.

Through our ambitious 2021 product expansion including the launch of the shopping app to 18 markets, we are creating more opportunities for consumers to engage with our retail partners through Klarna, attracting new consumers while growing loyalty among existing users. In growth markets, products that can be used across channels are supporting consumer acquisition and ongoing loyalty including the app and shop-anywhere browser extension. Consumers should first and foremost pay with money they have. Period. This is why we are continuing to expand our Pay Now option. We are especially proud to

launch it in the UK. Less known is that Klarna owns the world's largest account-to-account based payments infrastructure, through our acquisition of Sofort back in 2014. This allows us to create a truly unique and cost efficient alternative to the existing payments network. Again we are happy to see that c40% of our transaction volume is Pay Now and we expect that share in physical stores to come closer to 90%.

The Klarna Card has been particularly successful meeting consumer demand for fair and transparent alternatives to conventional card offerings. Over 800k consumers across Sweden, Germany and the UK, up 50% YoY, now take advantage of the card's flexibility with clear payment schedules, no interest, and no FX mark up with the US launch waitlist at 500,000 just days after launch.

# Product Launches

## 40%

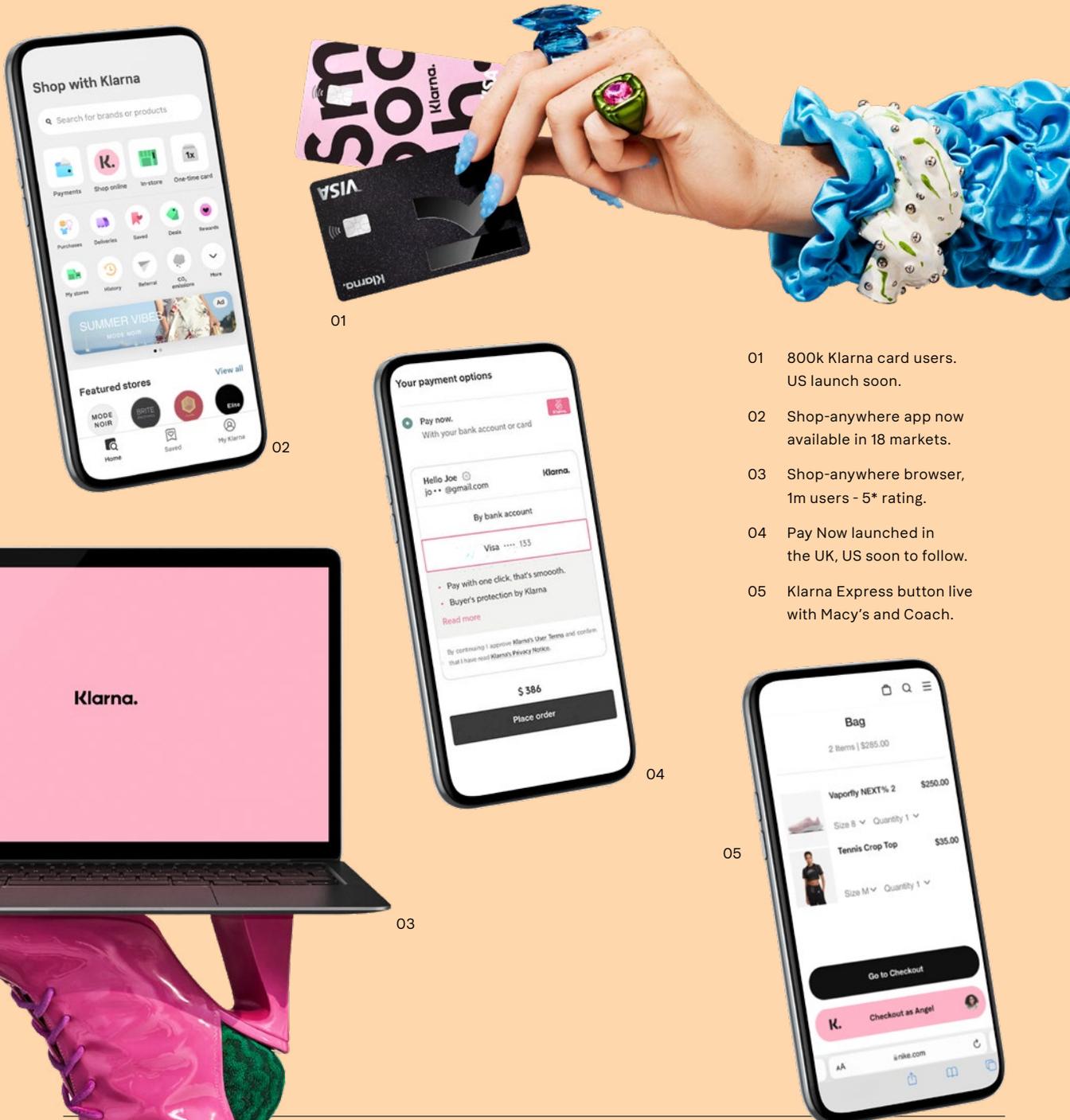
US share of global Klarna app downloads

## Top 10

US shopping apps 2021

## 3x

App users purchase frequency vs non-app users



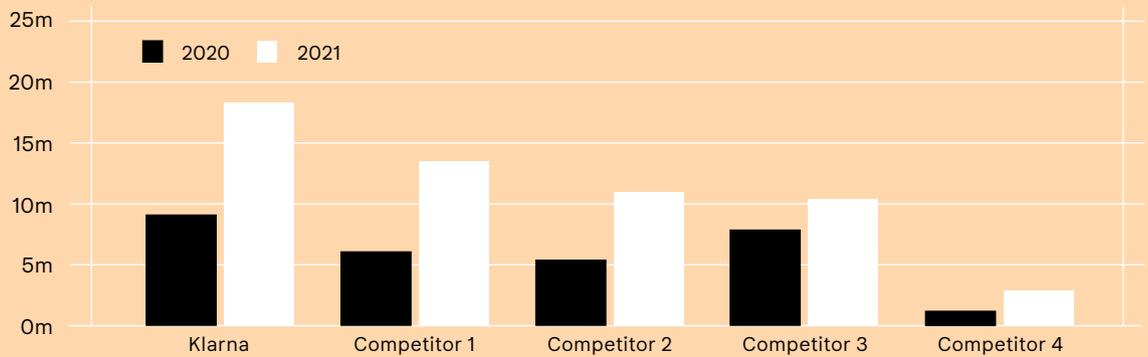
- 01 800k Klarna card users. US launch soon.
- 02 Shop-anywhere app now available in 18 markets.
- 03 Shop-anywhere browser, 1m users - 5\* rating.
- 04 Pay Now - launched in the UK, US soon to follow.
- 05 Klarna Express button live with Macy's and Coach.

## Klarna app is the single largest volume channel

The Klarna app is now the single largest driver of GMV across the Klarna ecosystem, fuelling growth for Klarna and its retail partners through consumer acquisition and referrals. It is the second fastest-growing app on a downloads basis<sup>1</sup> compared to major global payments peers. The US has the highest share of Klarna app users of any market and accounts for over

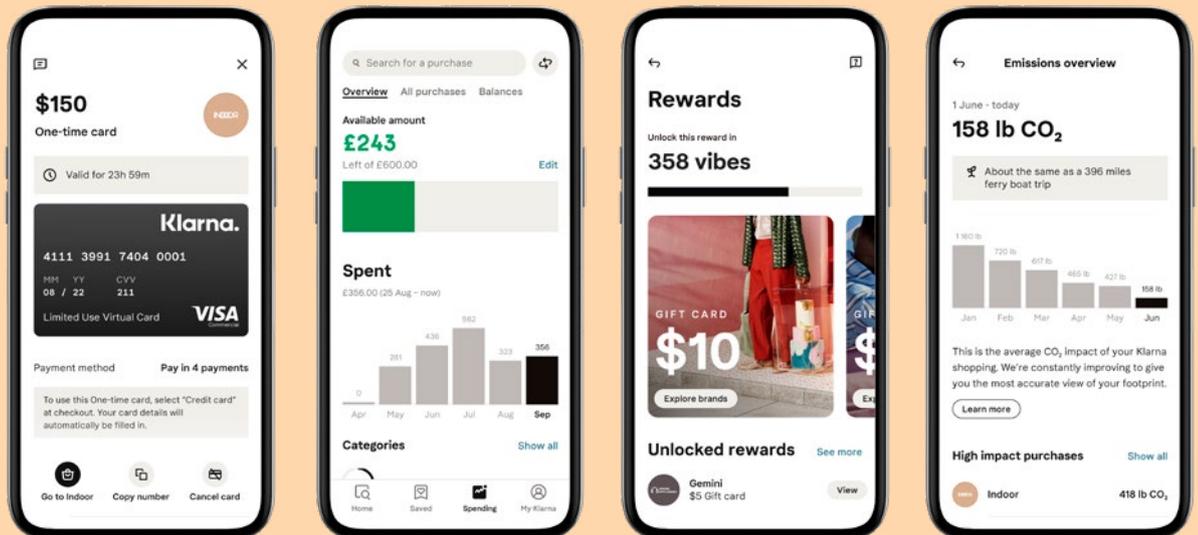
40% of global downloads, placing Klarna in the Top 10 US shopping apps.<sup>2</sup> In December, US downloads of the Klarna app outpaced PayPal, YouTube, Snapchat, Whatsapp and Twitter. The shop-anywhere online or in-store capability of the app drives loyalty with features consumers love, with app users purchasing c3x more often than non-app shoppers.

### US APP DOWNLOADS



Our app is becoming a central place in our consumers' financial lives. The app supports significant consumer growth through easy access to everything from purchases across all channels, card balances and bank accounts,

spending overviews, returns, carbon tracking, retailer offers and Klarna's shop anywhere online functionality - all services that have tangible value for consumers in their everyday lives.



<sup>1</sup> AppAnnie, 2021

<sup>2</sup> Apptopia, 2021

**4m**

Global reward members

**4x**

increase in purchase frequency  
of reward members

**9**

Further markets to launch  
rewards program

## Fastest-growing customer segment across markets are consumers who purchase >2 a month

Klarna's rewards program, which now has c4m members in the US and Australia and is driving a ~4x uplift in repeat purchases in the US, will be rolled out to the UK, DACH, Nordics and all growth markets in 2022. The fastest-growing customer segments by volume generated<sup>3</sup> in both mature and growth markets are those who purchase through Klarna more than twice

a month. We continue to invest in ensuring our consumers can access the best benefits through recent acquisition Stocard, a mobile wallet that brings together loyalty cards all in one place, and proposed acquisition PriceRunner's unparalleled product categorization, reviews and price comparison platform.

**301m**

Clicks to  
retailers in 2021

**2.6x**

Growth in clicks to  
retail partners

**45**

Of Top 100 US retailers live with  
Klarna's advertising services

**400k+**

Global retail partners

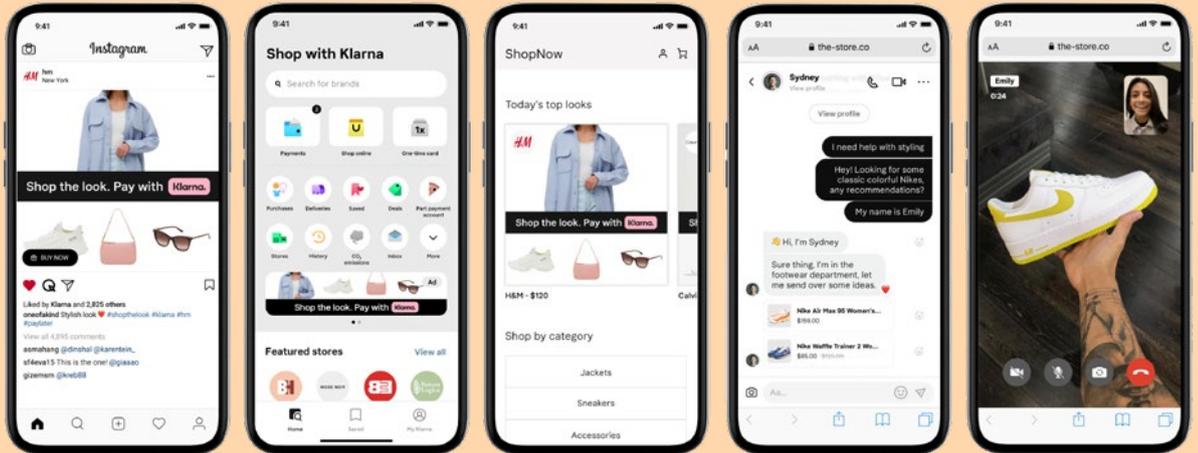
## Powerful consumer acquisition through expanding partnerships, verticals and services

Klarna is a growth partner for retailers, not a marketplace. In 2021 we expanded the ways retailers can use Klarna to connect with consumers through complementary acquisitions while diversifying revenue streams. Klarna now supports retailers through the entire sales funnel from consumer acquisition to shopping to post-purchase experience. Our compelling pre-purchase proposition for consumers now includes instantly shoppable content, live and virtual shopping, running search and dynamic ad

campaigns, in-app sponsored placements, and launching tailored content creation partnerships. New, enhanced services will come online during 2022 with rollout to many more retail partners. Klarna's unique post-purchase experience allows consumers to access delivery tracking information, instant refunds, and Klarna's 24/7 support smooths the experience between retailers and their customers in either the Klarna or retail partner's app.

<sup>3</sup> 2019-2021

## Key Achievements



## Connecting consumers with retailers, bringing the in-store experience online

Klarna is scaling existing retailer relationships globally alongside its market expansion while expanding into new and growing verticals such as travel, event ticketing, beauty and high-frequency verticals such as pharmacy and grocery. Klarna's tailored premium and luxury offer has added 51 new global partners in 2021

driven by consumer demand as 84% of luxury shoppers want flexible payments as a standard part of the purchasing experience.<sup>4</sup> The breadth and reach of our partnerships across markets and verticals support consumer preference for Klarna and increases return shopping through choice and convenience.

# 65k

SMBs joined Klarna in 2021

# stripe

Partnership giving access to millions more SMBs

# 400k+

Global retail partners

Klarna is also a growth partner for Small and Medium-sized Businesses (SMBs) connecting small businesses with global consumers. Our enhanced global strategic partnership with Stripe will allow millions more SMBs to integrate Klarna seamlessly into their customer

experience. Klarna is also creating an avenue for SMBs to access BNPL through its partnership with Billie, giving Klarna unprecedented breadth across channels, verticals, and customer segments.

# 9.5k

In-store partners

# 137%

Growth in partners

# 170%

Rise in global in-store volumes

# 11

Countries where Klarna is available in H&M stores

<sup>4</sup> The State of Smooth: Unpacking Luxury in 2022, Klarna, 2022

## Key Achievements

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Klarna has seen accelerated demand across its in-store products as retailers look to drive the consistency of customer experience across channels through one preferred partner. While online retail is predicted to remain the fastest-growing channel, 72% of US retail sales are expected to take place in-store in 2024<sup>5</sup> but in 2020 only 4% of offline sales included

BNPL, leaving significant headroom for growth.<sup>6</sup> Additionally, Klarna's partnership with US mall operators Simon and Macerich and now Brookfield allows Klarna to reach a potential 2 billion shoppers, putting Klarna at the forefront of shoppers' minds in an enviable place in the shopping journey at over 300 major shopping destinations across the US.

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# 5

New markets added in 2021

# 25

New countries added through Stocard acquisition

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## Market-leading expansion pace

Klarna has entered some of the fastest-growing e-commerce markets in the world including Spain and France, and now Canada. France has already reached 1m consumers since launch in June, and in Canada we launched with 300 retail partners including Harry Rosen, Mejuri, and Frank And Oak, and global retailers such as adidas, Sephora Canada, L'Oreal Canada,

and GameStop. We have ambitious plans for further markets in 2022 where retailer demand and e-commerce market CAGR growth create multiple growth opportunities across Klarna's suite of products and services. The acquisition of Stocard has also provided Klarna with consumers in 25 additional countries, providing a primed user base for future expansion.

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## Disrupting global retail banking through transparency and better outcomes for consumers

At Klarna we believe banking should be simple. Klarna's investment in its open banking infrastructure - the largest open banking network in Europe with 15,000 banks in 24 countries - provides our partners with fast, secure payments services, powers Klarna's services including the Klarna app and immediate settlement, Pay Now, and underpins planned market expansion. This investment also benefits consumers through the ability to integrate their wider financial landscape including Klarna's new current accounts and savings accounts. The desktop fixed deposit offering, partnership with deposit marketplace Raisin and new in-app savings account Festgeld+ means consumers trust Klarna with over EUR 6bn of their money. Festgeld+ already has EUR 100m of deposits less than one month after launch, illustrating consumer demand for banking products that better serve their needs.

High-cost credit, credit that encourages consumers to push debt forward indefinitely as well other poor practices by credit card companies, banks and other less serious actors negatively impacts consumers. Klarna is committed to driving transparency and better consumer outcomes across the global banking and payments industry. In the Nordics, Klarna launched an industry-wide transparency initiative across the entire consumer credit market and implemented new product changes including improved payment reminders, elimination of fees, and amended payment terms. The additional removal of endless revolving credit lines means consumers are paying back their loans c20% earlier. The clear consumer benefits of this program means Klarna will now scale it to key global markets, tailored to local product fit and consumer preference.

<sup>5</sup> Forrester, 2021

<sup>6</sup> Worldpay, 2020

# Business Overview.



# Business Overview

The Board and CEO of Klarna Bank AB (publ) hereby submits the report for the period July 1 - December 31 2021. Klarna Bank AB (publ)'s parent company is Klarna Holding AB

(publ), This report presents the figures for Klarna Bank AB (publ) and its subsidiaries. The report has been prepared in thousands of Swedish kronor unless otherwise stated.

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## Information about the business

Klarna Bank AB (publ) is an authorized bank and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen).

Klarna is a leading global provider of innovative banking, payments and shopping services. We continuously develop new products to meet the changing demands of consumers, helping them save time and money by helping them make informed decisions and take control of their finances. Together our products and services build the 'Klarna Everywhere' concept, enabling consumers to choose how, when, and where to shop, pay, and bank with Klarna, based on their own needs and preferences.

Our success is a result of the high degree of trust that has been built with consumers, retailers, and partners in all markets. This trust is critical in the financial sector, and maintaining it requires that we operate with the highest ethical standards and strive to do what is right every day. Such standards are embedded 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 working environment. Klarna's personal data protection officer is responsible for ensuring that all personal details are handled in accordance with the General Data Protection Regulation (GDPR).

Klarna was founded in 2005 in Sweden and has been a fully licensed bank since 2017, active in 45 markets.

# Business Results

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## Net operating income

In 2021 Klarna continued to grow at pace as it launched new products, entered new markets and continued to provide consumers with products and services that enable them to save time, money, make informed decisions and take control of their finances. Global Merchandise Volume increased 42% YoY to SEK 689bn (USD 80bn) and Total Net Operating Income increased 38% YoY to SEK 13,754m at period-end.

Commission income grew 47% to SEK 11,254m powered by new and expanding global retail

partnerships and increasing consumer adoption driving additional payments volumes through Klarna's channels.

Growth in Interest income of 24% YoY (SEK 4,040m, USD 471m) remained below that of total net operating income as consumer demand for our interest-free, shorter duration payment products outpaced other payment alternatives. Interest expenses grew to SEK 822m (USD 96m) at period-end driven by significant ongoing volume growth.

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## Operating expenses

In 2021 we have accelerated our ambitious market and product expansion plans entering five new markets and growing our product offering to include the shopping app in 18 markets, the shop anywhere browser extension, current and savings accounts as well as enhancing Klarna's suite of retailer growth services through organic growth and complementary acquisitions. As a result, Operating expenses have increased to

SEK 15,688m and average FTEs at the end of the year were 4,789 as we scale to provide Klarna services globally and continue to support significant growth in existing markets, while integrating new colleagues joining from acquired companies.

Net credit losses increased to SEK 4,647m (USD 542m) driven by continued growth in our consumer base and expansion in to new markets.

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## Liquidity and funding

Significant volume growth across all markets contributed to an increase in Loans to the public of 49% YoY to SEK 62,087m (USD 6,862m). Growth has been funded in part by the increase in Deposits from the public of SEK 59,670m, up 94% YoY, driven by the success of our savings account offering in Germany and Sweden.

Klarna's business model, focused on short-term credits, results in a credit portfolio with an average turn of 40 days. This gives Klarna the flexibility to steer its balance sheet growth within a short timeframe.

Capital adequacy has strengthened further compared to the same period last year following equity raises in H1 2021. Klarna ended the year with a CET1 ratio of 31.3%, a strong capital position.

## Branches Abroad

Klarna Bank AB (publ) operates Klarna Bank AB UK Branch, Klarna Bank AB German Branch and Klarna Bank AB Norwegian Branch.

During 2021, Klarna Bank AB (publ) also began operating Klarna Bank, filial af Klarna Bank AB

(publ), Sverige (Denmark, June 2021), Klarna Bank AB, Sucursal en España (Spain, August 2021), and Klarna Bank AB Irish Branch (October 2021) and also Klarna Bank AB French Branch (January 2022) after the period.

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## Interactions with regulators

We continue our positive and proactive interactions with regulators: we welcomed the UK Government's Woolard Review and 'Regulation

of Buy-Now Pay-Later' consultation, and in the US we are responding to the Consumer and Financial Protection Bureau's Inquiry into BNPL.

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## Significant events

**March 1 2021**  
Klarna Holding AB (publ) completed a USD 1.1 billion (SEK 9,276m) funding round to accelerate international expansion and further capture global retail growth.

**April 7 2021**  
Klarna announced the final results of its invitation dated 30 March 2021 to the holders of certain outstanding senior unsecured bonds. SEK 516m were redeemed with the outstanding amount after tender SEK 248m.

**May 24 2021**  
Klarna Bank AB (publ) voluntarily redeemed SEK 300m floating rate subordinated callable Tier 2 notes in accordance with the terms and conditions dated 20 June 2016.

**June 1 2021**  
A cross-border merger between Billpay GmbH (Corp. ID HRB122029B) and Klarna Bank AB (publ) was completed. Billpay GmbH was merged into Klarna Bank AB (publ), which is present in Germany through its German branch.

**June 10 2021**  
Klarna Holding AB (publ) raised USD 640million (SEK 5,540m) in equity in a funding round to support international expansion and further capture global retail growth.

**21 October 2021**  
Klarna submitted an appeal of the Swedish FSA's Pillar 2 guidance decision for Klarna Group.

**2 November 2021**  
Klarna Bank AB (publ) announced its intention to acquire PriceRunner to bring enhanced product reviews, rich product discovery, and price comparisons to the Klarna App.

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## Future Development

Klarna will innovate and enhance its product offering to help consumers save time and money, helping them make informed decisions and take control of their finances. The Klarna

Card, Pay Now and Express button will all be rolled out to further markets, and we will continue to add new services and functionality to our market-leading app.

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## Risk Management

Through its business activities Klarna is subject to a number of different risks, including credit risk, market risk, liquidity risk, business risk and operational risk.

The external regulations set forth requirements for good internal control, identification and management of risks as well as responsibilities for internal control functions. The Board and management regularly determine appropriate on policies and instructions for the governance and management of risks, including risk appetite and tolerance limits.

The basis for the risk management and internal control framework is the three lines of defense model. The first line of defense refers to all risk management activities carried out by line management and staff. All managers are fully responsible for the risks, and the management of these, within their respective areas of responsibility.

The functions Risk Control, Compliance and Engineering Assurance, in the second line of defense, controls risk. More specifically, Risk Control establishes risk frameworks and provides independent advice, analysis and oversight, as well as conducts risk reporting and training for management and staff. Compliance makes sure Klarna adheres to external rules and regulations and reports on regulatory risks. Engineering Assurance is responsible for frameworks, oversight and reporting on Information and Communications Technology (ICT) and security risk management.

The third line of defense refers to the Internal Audit function which performs independent periodic reviews of the governance structure and the system of internal controls. The Board has appointed Deloitte as internal auditor.

# Group Financials.



## Five Year Summary Jan - Dec, Group

Amounts in SEKk	Jan - Dec 2021	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
<b>Income statement</b>					
Total net operating income	13,754,489	10,000,104	7,154,668	5,450,781	4,158,045
Operating result	-6,580,162	-1,629,127	-1,088,649	160,910	523,987
Net result for the year	-7,092,503	-1,375,809	-902,356	105,224	345,613
<b>Balance sheet</b>					
Loans to credit institutions	4,990,233	2,614,447	1,907,129	2,367,631	1,211,778
Loans to the public	62,086,767	41,717,591	29,654,552	19,979,002	13,874,164
All other assets	38,047,489	17,463,216	8,305,879	5,513,199	3,901,290
<b>Total assets</b>	<b>105,124,489</b>	<b>61,795,254</b>	<b>39,867,560</b>	<b>27,859,832</b>	<b>18,987,232</b>
Liabilities to credit institutions	712,580	2,414,897	4,939,524	1,418,054	396,965
Deposits from the public	59,670,325	30,834,677	12,287,653	14,581,769	8,491,654
All other liabilities	26,295,634	22,221,717	17,344,917	7,717,750	6,065,083
Total equity	18,445,950	6,323,963	5,295,466	4,142,259	4,033,530
<b>Total liabilities and equity</b>	<b>105,124,489</b>	<b>61,795,254</b>	<b>39,867,560</b>	<b>27,859,832</b>	<b>18,987,232</b>
<b>Key ratios and figures<sup>1</sup></b>					
Return on equity	-53.1%	-28.0%	-23.1%	3.9%	15.8%
Return on assets	-8.5%	-2.7%	-2.7%	0.4%	2.2%
Debt/equity ratio	5.7	7.7	6.2	4.7	3.7
Equity/assets ratio	17.5%	10.2%	13.3%	14.9%	21.2%
Own funds (Total capital) <sup>2</sup>	19,855,494	13,529,578	8,448,158	3,424,327	2,830,504
Capital requirement <sup>2</sup>	4,946,863	3,391,228	2,115,637	1,820,881	1,244,297
Total capital ratio <sup>2</sup>	32.1%	31.9%	31.9%	15.0%	18.2%
Average number of full-time equivalents	4,789	3,238	2,248	1,713	1,380

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

## Five Year Summary Jul - Dec, Group

Amounts in SEKk	Jul - Dec 2021	Jul - Dec 2020	Jul - Dec 2019	Jul - Dec 2018	Jul - Dec 2017
<b>Income statement</b>					
Total net operating income	7,409,025	5,482,244	3,840,588	2,946,510	2,264,878
Operating result	-4,818,687	-939,173	-1,010,887	49,263	203,480
Net result for the period	-5,684,560	-824,051	-818,828	34,206	117,169
<b>Balance sheet</b>					
Loans to credit institutions	4,990,233	2,614,447	1,907,129	2,367,631	1,211,778
Loans to the public	62,086,767	41,717,591	29,654,552	19,979,002	13,874,164
All other assets	38,047,489	17,463,216	8,305,879	5,513,199	3,901,290
<b>Total assets</b>	<b>105,124,489</b>	<b>61,795,254</b>	<b>39,867,560</b>	<b>27,859,832</b>	<b>18,987,232</b>
Liabilities to credit institutions	712,580	2,414,897	4,939,524	1,418,054	396,965
Deposits from the public	59,670,325	30,834,677	12,287,653	14,581,769	8,491,654
All other liabilities	26,295,634	22,221,717	17,344,917	7,717,750	6,065,083
Total equity	18,445,950	6,323,963	5,295,466	4,142,259	4,033,530
<b>Total liabilities and equity</b>	<b>105,124,489</b>	<b>61,795,254</b>	<b>39,867,560</b>	<b>27,859,832</b>	<b>18,987,232</b>
<b>Key ratios and figures<sup>1</sup></b>					
Return on equity	-53.1%	-28.0%	-23.1%	3.9%	15.8%
Return on assets	-8.5%	-2.7%	-2.7%	0.4%	2.2%
Debt/equity ratio	4.0	8.2	6.5	4.9	3.5
Equity/assets ratio	17.5%	10.2%	13.3%	14.9%	21.2%
Own funds (Total capital) <sup>2</sup>	19,855,494	13,529,578	8,448,158	3,424,327	2,830,504
Capital requirement <sup>2</sup>	4,946,864	3,391,228	2,115,637	1,820,881	1,244,297
Total capital ratio <sup>2</sup>	32.1%	31.9%	31.9%	15.0%	18.2%
Average number of full-time equivalents	4,456	3,129	2,416	1,804	1,456

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

## Income Statement, Group

Amounts in SEKk	Note	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
Interest income	4	2,159,406	1,673,274	4,040,280	3,264,747
Interest expenses	5	-441,005	-323,078	-821,909	-601,096
<b>Net interest income</b>		<b>1,718,401</b>	<b>1,350,196</b>	<b>3,218,371</b>	<b>2,663,651</b>
Commission income	6	6,098,115	4,250,884	11,253,925	7,672,573
Commission expenses		-368,492	-330,292	-709,768	-574,101
Net result from financial transactions		-488,943	118,610	-670,730	92,140
Other operating income		449,944	92,846	662,691	145,841
<b>Total net operating income</b>		<b>7,409,025</b>	<b>5,482,244</b>	<b>13,754,489</b>	<b>10,000,104</b>
General administrative expenses		-9,052,560	-4,850,196	-15,032,878	-8,680,168
Depreciation, amortization and impairment of intangible and tangible assets	7	-377,165	-234,870	-654,990	-418,249
<b>Total operating expenses before credit losses</b>		<b>-9,429,725</b>	<b>-5,085,066</b>	<b>-15,687,868</b>	<b>-9,098,417</b>
<b>Operating result before credit losses, net</b>		<b>-2,020,700</b>	<b>397,178</b>	<b>-1,933,379</b>	<b>901,687</b>
Credit losses, net	8	-2,797,987	-1,336,351	-4,646,783	-2,530,814
<b>Operating result</b>		<b>-4,818,687</b>	<b>-939,173</b>	<b>-6,580,162</b>	<b>-1,629,127</b>
Income tax		-865,873	115,122	-512,341	253,318
<b>Net result for the period</b>		<b>-5,684,560</b>	<b>-824,051</b>	<b>-7,092,503</b>	<b>-1,375,809</b>
<b>Whereof attributable to:</b>					
Shareholders of Klarna Bank AB (publ)		-5,691,885	-831,529	-7,106,976	-1,390,691
Additional Tier 1 capital holders		7,325	7,478	14,473	14,882
<b>Total</b>		<b>-5,684,560</b>	<b>-824,051</b>	<b>-7,092,503</b>	<b>-1,375,809</b>

## Statement of Comprehensive Income, Group

Amounts in SEKk	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
<b>Net result for the period</b>	<b>-5,684,560</b>	<b>-824,051</b>	<b>-7,092,503</b>	<b>-1,375,809</b>
<b>Items that may be reclassified subsequently to the income statement:</b>				
Exchange differences, foreign operations	85,283	-115,463	128,711	-116,496
Taxes on exchange differences, foreign operations	-1,695	-	-	-
<b>Other comprehensive income for the period, net of tax</b>	<b>83,588</b>	<b>-115,463</b>	<b>128,711</b>	<b>-116,496</b>
<b>Total comprehensive income for the period</b>	<b>-5,600,972</b>	<b>-939,514</b>	<b>-6,963,792</b>	<b>-1,492,305</b>
<b>Whereof attributable to:</b>				
Shareholders of Klarna Bank AB (publ)	-5,608,298	-946,992	-6,978,265	-1,507,187
Additional Tier 1 capital holders	7,326	7,478	14,473	14,882
<b>Total</b>	<b>-5,600,972</b>	<b>-939,514</b>	<b>-6,963,792</b>	<b>-1,492,305</b>

## Balance Sheet, Group

Amounts in SEkk	Note	31 Dec 2021	31 Dec 2020
<b>Assets</b>			
Cash and balances with central banks		15,810,926	5,014,210
Treasury bills chargeable at central banks, etc.		9,744,295	5,219,426
Loans to credit institutions	9	4,990,233	2,614,447
Loans to the public	10	62,086,767	41,717,591
Bonds and other interest-bearing securities		1,132,964	1,609,770
Other shares and participations		792,259	20,081
Intangible assets		5,410,255	2,449,280
Tangible assets		1,512,605	1,003,664
Deferred tax assets		316,860	643,879
Other assets	11	2,367,069	1,140,244
Prepaid expenses and accrued income		960,256	362,662
<b>Total assets</b>		<b>105,124,489</b>	<b>61,795,254</b>
<b>Liabilities</b>			
Liabilities to credit institutions		712,580	2,414,897
Deposits from the public	12	59,670,325	30,834,677
Debt securities issued	13	9,122,819	4,182,723
Deferred tax liabilities		183,127	75,998
Other liabilities	14	13,953,739	15,797,011
Accrued expenses and prepaid income		2,669,347	1,423,335
Provisions		65,546	143,530
Subordinated liabilities		301,056	599,120
<b>Total liabilities</b>		<b>86,678,539</b>	<b>55,471,291</b>
<b>Equity</b>			
Share capital		65,329	52,869
Other capital contributed		26,301,043	7,305,180
Reserves		238,433	109,325
Additional Tier 1 instruments		250,000	250,000
Retained earnings		-1,316,352	-17,602
Net result for the year		-7,092,503	-1,375,809
<b>Total equity</b>		<b>18,445,950</b>	<b>6,323,963</b>
<b>Total liabilities and equity</b>		<b>105,124,489</b>	<b>61,795,254</b>

## Statement of Changes in Equity, Group

Amounts in SEKk	Share capital	Other capital contributed	Reserves <sup>3</sup>	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
<b>Balance as at January 1, 2021</b>	52,869	7,305,180	109,325	250,000	-17,602	-1,375,809	6,323,963
Reclassification	-	-	397	-	64	-	461
Transfer of previous year's net result	-	-	-	-	-1,375,809	1,375,809	-
<i>Net result for the year</i>	-	-	-	-	-	-7,092,503	-7,092,503
<i>Other comprehensive income, net of tax</i>	-	-	128,711	-	-	-	128,711
<b>Total comprehensive income for the year</b>	-	-	128,711	-	-	-7,092,503	-6,963,792
New share issue	12,460	18,995,863	-	-	-	-	19,008,323
Restricted stock units <sup>1</sup>	-	-	-	-	85,781	-	85,781
Tax effect on Restricted stock units	-	-	-	-	5,687	-	5,687
Additional Tier 1 instruments <sup>2</sup>	-	-	-	-	-14,473	-	-14,473
<b>Balance as at December 31, 2021</b>	65,329	26,301,043	238,433	250,000	-1,316,352	-7,092,503	18,445,950

Amounts in SEKk	Share capital	Other capital contributed	Reserves <sup>3</sup>	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
<b>Balance as at January 1, 2020</b>	52,752	4,805,140	225,821	250,000	864,109	-902,356	5,295,466
Transfer of previous year's net result	-	-	-	-	-902,356	902,356	-
<i>Net result for the year</i>	-	-	-	-	-	-1,375,809	-1,375,809
<i>Other comprehensive income, net of tax</i>	-	-	-116,496	-	-	-	-116,496
<b>Total comprehensive income for the year</b>	-	-	-116,496	-	-	-1,375,809	-1,492,305
New share issue	117	-	-	-	-	-	117
Shareholders' contribution <sup>4</sup>	-	2,500,040	-	-	-	-	2,500,040
Restricted stock units <sup>1</sup>	-	-	-	-	35,527	-	35,527
Additional Tier 1 instruments <sup>2</sup>	-	-	-	-	-14,882	-	-14,882
<b>Balance as at December 31, 2020</b>	52,869	7,305,180	109,325	250,000	-17,602	-1,375,809	6,323,963

<sup>1</sup> Klarna's Restricted Stock Unit Program for employees, implemented in 2020.

<sup>2</sup> Amounts in Additional Tier 1 instruments column consist of issued instruments, while amounts in Retained earnings column consist of interest on and cost of issuance of these issued instruments.

<sup>3</sup> The reserves consist of exchange differences from foreign operations.

<sup>4</sup> Shareholders' contribution from parent company Klarna Holding AB (publ) partly through conversion of loans between Klarna Bank AB (publ) and Klarna Holding AB (publ).

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

## Cash Flow Statement, Group

Amounts in SEKk	Note	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
<b>Operating activities</b>					
Operating result		-4,818,687	-939,173	-6,580,162	-1,629,127
Taxes paid		-158,450	-132,995	-192,976	-150,858
<i>Adjustments for items in operating activities</i>					
Depreciation, amortization and impairment	7	377,165	234,870	654,990	418,249
Gain or loss from shares in unlisted companies		20,081	-	20,081	-
Provisions excluding credit losses		1,879	625	4,139	1,527
Provision for credit losses		659,351	394,894	1,327,275	631,229
Share-based payments		179,448	35,527	205,943	35,527
Financial items including unrealized exchange rate effects		412,663	-56,083	581,222	-55,370
<i>Changes in the assets and liabilities of operating activities</i>					
Change in loans to the public		-13,033,182	-8,862,770	-21,049,734	-12,466,089
Change in liabilities to credit institutions		-1,119,802	-298,531	-1,706,512	-2,697,220
Change in deposits from the public		23,664,165	7,163,188	28,812,298	18,562,508
Change in other assets and liabilities		-2,327,237	7,358,483	-8,964,371	4,934,236
<b>Cash flow from operating activities<sup>1</sup></b>		<b>3,857,394</b>	<b>4,898,035</b>	<b>-6,887,807</b>	<b>7,584,612</b>
<b>Investing activities</b>					
Investments in intangible assets		-319,650	-225,990	-642,711	-410,761
Investments in tangible assets		-175,958	-2,859	-245,196	-63,921
Sales of fixed assets		-	3,288	-	3,723
Investments in business combinations	20	-2,723,552	-128,291	-2,723,552	-141,943
Investments in other shares and participations		-232,435	-	-1,320,485	-
Divestments in other shares and participations		-	214,057	-	142,106
<b>Cash flow from investing activities</b>		<b>-3,451,595</b>	<b>-139,795</b>	<b>-4,931,944</b>	<b>-470,796</b>
<b>Financing activities</b>					
New share issue		6,006,935	117	19,007,184	117
Group contribution received		-	-	-	44,200
Debt securities issued	13	3,675,378	-607,582	4,911,523	-1,458,368
Subordinated liabilities		207	-	-300,584	-
Payment of principal portion of lease contracts		-125,830	-74,571	-253,155	-137,368
<b>Cash flow from financing activities</b>		<b>9,556,690</b>	<b>-682,036</b>	<b>23,364,968</b>	<b>-1,551,419</b>
<b>Cash flow for the period</b>		<b>9,962,489</b>	<b>4,076,204</b>	<b>11,545,217</b>	<b>5,562,397</b>
<b>Cash and cash equivalents at the beginning of the period</b>					
		<b>8,561,722</b>	<b>3,117,984</b>	<b>6,914,466</b>	<b>1,618,008</b>
Cash flow for the period		9,962,489	4,076,204	11,545,217	5,562,397
Exchange rate diff. in cash and cash equivalents		177,369	-279,722	241,897	-265,939
<b>Cash and cash equivalents at the end of the period</b>		<b>18,701,580</b>	<b>6,914,466</b>	<b>18,701,580</b>	<b>6,914,466</b>
<b>Cash and cash equivalents include the following items</b>					
Cash and balances with central banks		15,810,926	5,014,210	15,810,926	5,014,210
Loans to credit institutions <sup>2</sup>		2,890,654	1,900,256	2,890,654	1,900,256
<b>Cash and cash equivalents</b>		<b>18,701,580</b>	<b>6,914,466</b>	<b>18,701,580</b>	<b>6,914,466</b>

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

<sup>2</sup> Adjusted for non-cash items such as money in transfer.

# Notes with accounting principles.



## Note 1 Corporate information

The Parent Company, Klarna Bank AB (publ), Corp. ID 556737-0431, maintains its registered office in Stockholm at the address Sveavägen 46, 111 34 Stockholm, Sweden. The consolidated full year result for 2021 consist of the Parent Company (including branches in Denmark, France, Germany, Ireland, Norway, Spain, and the United Kingdom) and its subsidiaries, which together make up the Group. The Group's business is described in the Business overview.

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

## Note 2 Accounting principles

### Basis for the preparation of the reports

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The financial statements for both the Group and the Parent Company have also been prepared in accordance with the applicable regulations in the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559), the Swedish Financial Supervisory Authority regulations (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendations (RFR 1 Supplementary Accounting Rules for Groups and RFR 2 Accounting for Legal Entities).

The accounting principles and calculation methods applied in this report should be read in conjunction, and are identical, to those applied in the Annual Report for 2020 except for the changes stated below.

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

### Changed accounting principles

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

New and changed standards and interpretations which have not yet come into effect and which have not been early adopted by the Group:

- 1) Amendments to IAS 16 Property, Plant and Equipment for proceeds before intended use
- 2) Amendments to IAS 37 for the Costs of fulfilling a contract related to onerous contracts
- 3) Amendments to references to the conceptual framework in IFRS standards
- 4) Amendments to IAS 1 in the classification of liabilities as current or non-current

None of the changes in IFRS or IFRIC interpretations that have not yet come into effect are expected to have a significant impact on the Group.

### *Changed segment reporting*

Klarna has changed its segment reporting in 2021 to better align with the group's operating structure. Klarna is now operating as one segment instead of previous region-based segments. The segment reporting change reflects a corresponding change in how the Chief Operating Decision Maker (CODM) reviews financial information in order to allocate resources and assess performance. The change has been applied for comparable figures to illustrate trends between periods.

### Note 3 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 Chief Executive Officer (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	Jul - Dec 2021	Jul - Dec 2020 <sup>1</sup>	Jan - Dec 2021	Jan - Dec 2020 <sup>1</sup>
Geographical breakdown				
- Germany	2,507,332	1,823,770	4,858,508	3,330,525
- Sweden	1,166,150	1,153,583	2,381,042	2,327,986
- Other countries <sup>2</sup>	4,224,486	2,386,281	7,185,669	4,249,453
<b>Total Net Operating Income less net result from financial transactions<sup>4</sup></b>	<b>7,897,968</b>	<b>5,363,634</b>	<b>14,425,219</b>	<b>9,907,964</b>
Income category				
- Retailer income	4,059,502	2,913,352	7,674,401	5,174,590
- Consumer income	2,974,071	2,349,964	5,677,970	4,641,566
- Other income <sup>3</sup>	864,395	100,318	1,072,848	91,808
<b>Total Net Operating Income less net result from financial transactions<sup>4</sup></b>	<b>7,897,968</b>	<b>5,363,634</b>	<b>14,425,219</b>	<b>9,907,964</b>
Non-current assets				
- Germany	3,280,777	1,981,799	3,280,777	1,981,799
- Sweden	2,167,088	1,327,845	2,167,088	1,327,845
- Other countries <sup>2</sup>	1,474,995	143,300	1,474,995	143,300
<b>Total non-current assets</b>	<b>6,922,860</b>	<b>3,452,944</b>	<b>6,922,860</b>	<b>3,452,944</b>

<sup>1</sup> The presentation of the note for 2020 has been updated to reflect changes in internal financial reporting.

<sup>2</sup> "Other" mainly includes the countries Austria, Belgium, Denmark, Finland, the Netherlands, Norway, Switzerland, the United Kingdom and the United States.

<sup>3</sup> "Other income" includes marketing income, Klarna card interchange income and other income.

<sup>4</sup> "Net result from financial transactions" is excluded from the income analysis since it is not applicable to a specific geography or income category.

## Note 4 Interest income

	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
Loans to credit institutions	460	1,261	1,158	3,689
Loans to the public	2,122,443	1,632,966	3,975,936	3,178,668
Other interest income	36,503	39,047	63,186	82,390
<b>Total</b>	<b>2,159,406</b>	<b>1,673,274</b>	<b>4,040,280</b>	<b>3,264,747</b>

Interest income is calculated using the effective interest rate method.

## Note 5 Interest expenses

	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
Interest-bearing securities and chargeable treasury bills etc.	-68,753	-56,170	-115,911	-94,142
Liabilities to credit institutions	-39,500	-25,363	-69,510	-46,906
Deposits from the public	-210,536	-149,807	-383,807	-263,496
Debt securities issued	-36,339	-23,416	-59,559	-58,072
Subordinated liabilities	-5,493	-12,590	-19,179	-25,761
Group companies	-77,280	-57,150	-155,768	-95,881
Other interest expenses	-3,104	1,418	-18,175	-16,838
<b>Total</b>	<b>-441,005</b>	<b>-323,078</b>	<b>-821,909</b>	<b>-601,096</b>

Interest expenses are calculated using the effective interest rate method.

## Note 6 Commission income

Commission income split by product category	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
Retailer	4,824,578	3,153,393	9,006,732	5,577,140
Consumer	1,237,949	897,734	2,185,767	1,817,541
Other	35,588	199,757	61,426	277,892
<b>Total</b>	<b>6,098,115</b>	<b>4,250,884</b>	<b>11,253,925</b>	<b>7,672,573</b>

All commission income arises from financial instruments and are measured at amortized cost.

## Note 7 Depreciation, amortization and impairment of intangible and tangible assets

	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
<b>Amortization and depreciation</b>				
Intangible assets	-199,299	-107,780	-323,522	-194,294
Tangible assets <sup>1</sup>	-177,866	-109,727	-331,468	-206,592
<b>Total</b>	<b>-377,165</b>	<b>-217,507</b>	<b>-654,990</b>	<b>-400,886</b>
<b>Impairment</b>				
Intangible assets	-	-17,363	-	-17,363
<b>Total</b>	<b>-</b>	<b>-17,363</b>	<b>-</b>	<b>-17,363</b>
<b>Total depreciation, amortization and impairment of intangible and tangible assets</b>	<b>-377,165</b>	<b>-234,870</b>	<b>-654,990</b>	<b>-418,249</b>

<sup>1</sup> Depreciation of leased assets is included in tangible assets. During 2021, the depreciation of leased assets amounted to SEK 260m (147m) in the Group.

## Note 8 Credit losses, net

Loan losses divided by class	Jul - Dec 2021	Jul - Dec 2020	Jan - Dec 2021	Jan - Dec 2020
<b>Loans to credit institutions</b>				
Increase in provisions	-2,068	-2,111	-2,192	-2,180
Reversal of previous provisions	2,064	1,334	2,914	1,432
<b>Total</b>	<b>-4</b>	<b>-777</b>	<b>722</b>	<b>-748</b>
<b>Loans to the public</b>				
Realized loan losses, net of recoveries	-2,138,635	-960,804	-3,319,508	-1,918,931
Release in provisions to cover realized loan losses	1,682,471	540,184	2,695,521	1,510,473
Increase in provisions	-7,026,861	-3,780,508	-12,224,947	-6,282,384
Reversal of previous provisions	4,661,084	2,858,913	8,169,160	4,200,342
<b>Total</b>	<b>-2,821,941</b>	<b>-1,342,215</b>	<b>-4,679,774</b>	<b>-2,490,500</b>
<b>Financial guarantees and commitments</b>				
Increase in provisions	-6,793	-58,749	-36,873	-106,906
Reversal of previous provisions	30,751	65,390	69,142	67,340
<b>Total</b>	<b>23,958</b>	<b>6,641</b>	<b>32,269</b>	<b>-39,566</b>
<b>Total credit losses, net</b>	<b>-2,797,987</b>	<b>-1,336,351</b>	<b>-4,646,783</b>	<b>-2,530,814</b>

## Note 9 Loans to credit institutions

	31 Dec 2021	31 Dec 2020
Loans to credit institutions	4,990,233	2,614,447
By currency		
- in SEK	530,839	532,018
- in EUR	1,719,552	1,136,350
- in USD	2,090,666	281,553
- in AUD	355,460	279,836
- in GBP	96,155	59,379
- in other currencies	197,561	325,311
<b>Total</b>	<b>4,990,233</b>	<b>2,614,447</b>

All loans to credit institutions are payable on demand. For the fair value amounts, see note 16.

## Note 10 Loans to the public

	31 Dec 2021	31 Dec 2020
Loans to the public	65,695,900	43,733,235
Allowance for credit losses	-3,609,133	-2,015,644
<b>Total</b>	<b>62,086,767</b>	<b>41,717,591</b>

For the fair value amounts, see note 16.

## Note 11 Other assets

	31 Dec 2021	31 Dec 2020
Receivables from group companies	22,890	-
Current tax assets	245,911	189,543
VAT receivables	42,953	21,632
Derivatives	67,308	341,203
Cost to obtain a contract	1,816,939	522,698
Other receivables	171,068	65,168
<b>Total</b>	<b>2,367,069</b>	<b>1,140,244</b>

For the fair value amounts, see note 16.

## Note 12 Deposits from the public

	31 Dec 2021	31 Dec 2020
Private individuals	59,011,111	30,240,723
Companies	659,214	593,954
<b>Total</b>	<b>59,670,325</b>	<b>30,834,677</b>
By currency		
- in SEK	16,018,653	6,322,367
- in EUR	43,061,123	24,140,360
- in other currencies	590,549	371,950
<b>Total</b>	<b>59,670,325</b>	<b>30,834,677</b>

For the fair value amounts, see note 16.

## Note 13 Debt securities issued

	31 Dec 2021	31 Dec 2020
Senior unsecured bonds	4,604,153	2,301,006
Commercial papers	4,193,239	1,696,206
Other bonds	325,427	185,511
<b>Total</b>	<b>9,122,819</b>	<b>4,182,723</b>

In February 2021, Klarna Bank AB (publ) issued a new loan of SEK 1,000m under the Medium Term Notes program. The notes have a final maturity in February 2024 and pay interest on a quarterly basis. The loan was listed on Nasdaq Stockholm at the date of issuance in February 2021. In July 2021, a second tranche of the loan of SEK 200m was issued.

In June 2021, Klarna Bank AB (publ) issued a new loan of SEK 1,000m under the Medium Term Notes program. The notes have a final maturity in June 2023 and pay interest on a quarterly basis. The loan was listed on Nasdaq Stockholm at the date of issuance in June 2021.

In September 2021, Klarna Bank AB (publ) issued a new loan of SEK 500m under the Medium Term Notes program. The notes have a final maturity in September 2023 and pay interest on a quarterly basis. The loan was listed on Nasdaq Stockholm at the date of issuance in September 2021. In September 2021, a second tranche of the loan of SEK 200m was issued.

In September 2021, Klarna Bank AB (publ) issued a new loan of SEK 300m under the Medium Term Notes program. The notes have a final maturity in March 2025 and pay interest on a quarterly basis. The loan was listed on Nasdaq Stockholm at the date of issuance in September 2021.

During 2021, a total of SEK 899m matured or were repurchased from the outstanding loans under the Medium Term Notes program.

For the fair value amounts, see note 16.

## Note 14 Other liabilities

	31 Dec 2021	31 Dec 2020
Accounts payable	183,502	237,993
Personnel related taxes	86,122	106,057
Liabilities to group companies	4,803,232	7,987,182
Current tax liabilities	86,416	77,432
Liabilities to retailers	5,279,051	5,650,051
Derivatives	631,026	418,336
Lease liabilities	1,084,282	763,141
Other liabilities	1,800,108	556,819
<b>Total</b>	<b>13,953,739</b>	<b>15,797,011</b>

Klarna Bank AB (publ) has received a line of credit from its parent company Klarna Holding AB (publ). The credit liability amounted to SEK 4,652,192k (7,842,976k) as of December 31, 2021 and is included in Liabilities to group companies. The line of credit is ranked pari passu with all other unsecured indebtedness.

For the fair value amounts, see note 16.

## Note 15 Pledged assets and contingent liabilities

	31 Dec 2021	31 Dec 2020
<b>Pledged assets</b>		
<i>Assets pledged for own liabilities</i>		
Pledged loans to the public and credit institutions	2,766,734	9,248,248
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	-	1,714,570
<i>Other pledged assets</i>	28,048	25,812
<b>Total</b>	<b>2,794,782</b>	<b>10,988,630</b>
<b>Contingent liabilities and commitments</b>		
<i>Contingent liabilities</i>		
Guarantees	40,797	40,327
<i>Commitments</i>	23,587,065	16,396,546
<b>Total</b>	<b>23,627,862</b>	<b>16,436,873</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 0k (0k) as at December 31, 2021.

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 0k (1,714,572k) as at December 31, 2021.

Commitments contain an undrawn part of consumer credit line amounting to SEK 16,607,753k (10,780,554k) and commitment to refund consumers in case of returns to a defaulted retailer amounting to SEK 6,979,312k (5,615,992k) as at December 31, 2021.

## Note 16 Fair value of financial assets and liabilities

	31 Dec 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>						
Cash and balances with central banks	15,810,926	15,810,926	-	5,014,210	5,014,210	-
Treasury bills chargeable at central banks, etc.	9,714,217	9,744,295	-30,078	5,231,819	5,219,426	12,393
Loans to credit institutions	4,990,233	4,990,233	-	2,614,447	2,614,447	-
Loans to the public	62,086,767	62,086,767	-	41,717,591	41,717,591	-
Bonds and other interest-bearing securities	1,129,680	1,132,964	-3,284	1,617,383	1,609,770	7,613
Other shares and participations	792,259	792,259	-	20,081	20,081	-
Other assets	193,958	193,958	-	65,169	65,169	-
Other assets (Currency forwards)	67,308	67,308	-	341,203	341,203	-
Prepaid expenses and accrued income	503,273	503,273	-	157,882	157,882	-
<b>Total</b>	<b>95,288,621</b>	<b>95,321,983</b>	<b>-33,362</b>	<b>56,779,785</b>	<b>56,759,779</b>	<b>20,006</b>

	31 Dec 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Liabilities</b>						
Liabilities to credit institutions	712,580	712,580	-	2,413,280	2,414,897	-1,617
Deposits from the public	59,915,527	59,670,325	245,202	30,931,098	30,834,677	96,421
Debt securities issued	9,121,724	9,122,819	-1,095	4,186,765	4,182,723	4,042
Other liabilities	13,060,474	13,060,474	-	15,091,523	15,091,523	-
Other liabilities (Currency forwards and interest rate swaps)	631,026	631,026	-	418,336	418,336	-
Accrued expenses and prepaid income	2,615,320	2,615,320	-	1,359,640	1,359,640	-
Subordinated liabilities	306,781	301,056	5,725	605,457	599,120	6,337
<b>Total</b>	<b>86,363,432</b>	<b>86,113,600</b>	<b>249,832</b>	<b>55,006,099</b>	<b>54,900,916</b>	<b>105,183</b>

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

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

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

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

## Note 17 Classification of financial assets and liabilities into measurement categories

31 Dec 2021	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
<b>Assets</b>				
Cash and balances with central banks	-	15,810,926	-	15,810,926
Treasury bills chargeable at central banks, etc.	-	9,744,295	-	9,744,295
Loans to credit institutions	-	4,990,233	-	4,990,233
Loans to the public	-	62,086,767	-	62,086,767
Bonds and other interest-bearing securities	-	1,132,964	-	1,132,964
Other shares and participations	792,259	-	-	792,259
Intangible assets	-	-	5,410,255	5,410,255
Tangible assets	-	-	1,512,605	1,512,605
Deferred tax assets	-	-	316,860	316,860
Other assets	67,308	193,958	2,105,803	2,367,069
Prepaid expenses and accrued income	-	503,273	456,983	960,256
<b>Total</b>	<b>859,567</b>	<b>94,462,416</b>	<b>9,802,506</b>	<b>105,124,489</b>

31 Dec 2021	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
<b>Liabilities</b>				
Liabilities to credit institutions	-	712,580	-	712,580
Deposits from the public	-	59,670,325	-	59,670,325
Debt securities issued	325,427	8,797,392	-	9,122,819
Deferred tax liabilities	-	-	183,127	183,127
Other liabilities	631,026	13,060,474	262,239	13,953,739
Accrued expenses and prepaid income	-	2,615,320	54,027	2,669,347
Provisions	-	-	65,546	65,546
Subordinated liabilities	-	301,056	-	301,056
<b>Total</b>	<b>956,453</b>	<b>85,157,147</b>	<b>564,939</b>	<b>86,678,539</b>

31 Dec 2020	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
<b>Assets</b>				
Cash and balances with central banks	-	5,014,210	-	5,014,210
Treasury bills chargeable at central banks, etc.	-	5,219,426	-	5,219,426
Loans to credit institutions	-	2,614,447	-	2,614,447
Loans to the public	-	41,717,591	-	41,717,591
Bonds and other interest-bearing securities	-	1,609,770	-	1,609,770
Other shares and participations	20,081	-	-	20,081
Intangible assets	-	-	2,449,280	2,449,280
Tangible assets	-	-	1,003,664	1,003,664
Deferred tax assets	-	-	643,879	643,879
Other assets	341,203	65,169	733,872	1,140,244
Prepaid expenses and accrued income	-	157,882	204,780	362,662
<b>Total</b>	<b>361,284</b>	<b>56,398,495</b>	<b>5,035,475</b>	<b>61,795,254</b>

31 Dec 2020	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
<b>Liabilities</b>				
Liabilities to credit institutions	-	2,414,897	-	2,414,897
Deposits from the public	-	30,834,677	-	30,834,677
Debt securities issued	185,511	3,997,212	-	4,182,723
Deferred tax liabilities	-	-	75,998	75,998
Other liabilities	418,336	15,091,523	287,152	15,797,011
Accrued expenses and prepaid income	-	1,359,640	63,695	1,423,335
Provisions	-	-	143,530	143,530
Subordinated liabilities	-	599,120	-	599,120
<b>Total</b>	<b>603,847</b>	<b>54,297,069</b>	<b>570,375</b>	<b>55,471,291</b>

## Financial assets and liabilities - measurement

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

### Level 1

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

### Level 2

Level 2 consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are calculated using valuation techniques based on market prices or rates prevailing at the balance sheet date. This is for example the case for currency forwards within other assets and other liabilities where active markets supply the input to the valuation. The fair value of currency forwards is estimated by applying the forward rate at balance sheet date to calculate the value of future cash flows.

### Level 3

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

The following table shows the financial assets and liabilities measured at fair value, divided into the three valuation levels. No transfers between levels have been made during 2021.

31 Dec 2021	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Other shares and participations	530,571	-	261,688	792,259
Other assets (Currency forwards)	-	67,308	-	67,308
<b>Total</b>	<b>530,571</b>	<b>67,308</b>	<b>261,688</b>	<b>859,567</b>
<b>Financial liabilities</b>				
Debt securities issued	-	-	325,427	325,427
Other liabilities (Currency forwards and interest rate swaps)	-	631,026	-	631,026
<b>Total</b>	<b>-</b>	<b>631,026</b>	<b>325,427</b>	<b>956,453</b>

31 Dec 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Other shares and participations	-	-	20,081	20,081
Other assets (Currency forwards)	-	341,203	-	341,203
<b>Total</b>	<b>-</b>	<b>341,203</b>	<b>20,081</b>	<b>361,284</b>
<b>Financial liabilities</b>				
Debt securities issued	-	-	185,511	185,511
Other liabilities (Currency forwards)	-	418,336	-	418,336
<b>Total</b>	<b>-</b>	<b>418,336</b>	<b>185,511</b>	<b>603,847</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.

	<u>Financial assets</u>	<u>Financial liabilities</u>
	<u>Other shares and participations</u>	<u>Debt securities issued<sup>2</sup></u>
<b>Balance as at January 1, 2021</b>	<b>20,081</b>	<b>185,511</b>
Gain/loss in income statement <sup>1</sup>	-20,081	3,564
of which: unrealized gain/loss	-20,081	3,564
Purchases	251,915	-
Issuances	-	133,853
Impact of foreign exchange movements	9,773	2,499
<b>Balance as at December 31, 2021</b>	<b>261,688</b>	<b>325,427</b>

	<u>Financial assets</u>	<u>Financial liabilities</u>
	<u>Other shares and participations</u>	<u>Debt securities issued<sup>2</sup></u>
<b>Balance as at January 1, 2020</b>	<b>20,081</b>	<b>-</b>
Gain/loss in income statement <sup>1</sup>	-	-1,749
of which: unrealized gain/loss	-	-1,749
Issuances	-	188,057
Impact of foreign exchange movements	-	-797
<b>Balance as at December 31, 2020</b>	<b>20,081</b>	<b>185,511</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.

## Note 18 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 management personnel.

## **Note 19    Capital adequacy and leverage ratio**

### **Capital adequacy regulations**

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

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

### **Consolidated situation and methods for calculating minimum requirements**

In accordance with the capital adequacy regulations, the consolidated situation is made up of Klarna Holding AB (publ) (Klarna Bank AB (publ)'s parent company) and its subsidiaries. All subsidiaries are fully consolidated in the Group. Klarna Bank AB (publ) is a registered bank under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen). Klarna Bank AB (publ) uses the standardized method for calculating the minimum capital requirements for credit as well as market risk and the alternative standardized approach for operational risk regarding Klarna Bank AB (publ) and its consolidated situation. The approval for calculating minimum capital requirement for operational risk using the alternative standardized approach was granted by the Finansinspektionen in December 2019. All regulated activities under the banking license are conducted in Klarna Bank AB (publ).

### **Common Equity Tier 1 capital**

During 2021, SEK 6,859m of Common Equity Tier 1 was added to the own funds of the consolidated situation of Klarna Holding AB (publ) mainly through an equity raise of USD 1,640m.

### **Additional Tier 1 capital**

Klarna Bank AB (publ) issued, in May 2017, SEK 250m in Additional Tier 1 capital instruments. They have a floating coupon rate corresponding to STIBOR 3M plus 5.75% per annum. The securities were offered to a limited number of large Nordic investors and the first call date is May 26, 2022.

Klarna Holding AB (publ) issued, in November 2018, EUR 25m in Additional Tier 1 capital instruments. They have a fixed-to-floating coupon rate corresponding to 6.625% per annum. The floating interest rate is EURIBOR 3M plus 6.277% per annum. The securities were offered to a limited number of large Nordic investors and the first call date is November 15, 2023.

### **Subordinated liabilities**

On June 20, 2016, Klarna Bank AB (publ) issued SEK 300m subordinated notes which were redeemed on the first call date in June 2021.

On July 5, 2018, Klarna Bank AB (publ) issued SEK 300m subordinated notes due 2028. 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 3.5% per annum. The notes were allocated to a limited number of large Nordic investors and the first call date is July 5, 2023.

### **The Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process**

The objective of the ICLAAP is to ensure that Klarna clearly and correctly identifies, assesses and manages all risk to which it is exposed. The process considers the financial resources required to cover such risk, and to ensure that Klarna has access to sufficient capital and liquidity to support its business strategy over the coming planning horizon with regards to different market conditions. The main governing document for the ICLAAP is the ICLAAP policy. In this document, Klarna's board defines the responsibilities, processes and rules of the ICLAAP. The ICLAAP is performed at least yearly.

The internally assessed required capital is based on the minimum capital requirement, Pillar I, and additional capital required for other risks as determined as part of the ICLAAP, Pillar II, as well as the combined buffer requirements. The internally assessed required capital as of December 31, 2021 amounts to SEK 7,225m (4,883m) for the consolidated situation. Klarna thereby has sufficient capital to cover for required capital under Pillar I, including combined buffer requirements, and Pillar II.

### **Capital adequacy disclosure**

Capital adequacy disclosure in accordance with the requirements in Commission Implementing Regulation (EU) No 1423/2013 can be found in Klarna's Capital adequacy report.

### **IFRS 9 transitional adjustments**

From January 1, 2018, Klarna applies the transitional rules in accordance with article 473a of the European Union regulation no 575/2013 in order to phase in the effect on the capital when applying IFRS 9. The capital adequacy calculations are adjusted with a dynamic and two static amounts over a period spanning 5 years. From June 2020 the transitional rules also have taken into account the effects of Covid-19 on the IFRS9 model, which prolonged the period of application.

### **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) and its subsidiaries. As of December 31, 2021, an amount of SEK 84m Additional Tier 1 capital and SEK 142m Tier 2 capital instruments issued by Klarna Bank AB (publ) were included in the Own funds of Klarna Holding Group.

Capital adequacy information	Consolidated situation	
	31 Dec 2021	31 Dec 2020
<b>Own funds, total risk exposure amount and total leverage ratio exposure</b>		
Common Equity Tier 1 capital	19,372,837	12,514,158
Tier 1 capital	19,713,138	12,978,002
Own funds	19,855,494	13,529,578
Total risk exposure amount	61,835,794	42,390,354
Total leverage ratio exposure	105,225,277	62,564,979
<b>Capital adequacy analysis</b>		
Common Equity Tier 1 capital ratio	31.3%	29.5%
Tier 1 capital ratio	31.9%	30.6%
Total capital ratio	32.1%	31.9%
Leverage ratio	18.7%	20.7%
Combined buffer requirement incl. the requirements of 575/2013 Art. 92(1)(a)	7.0%	7.0%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.0%	0.1%
Common Equity Tier 1 capital available to meet buffers	26.8%	24.8%
<b>Exposure amounts for credit risk according to the standardized approach</b>		
Credit risk including counterparty credit risk	104,589,276	60,876,486
of which: central governments or central banks	17,110,128	6,039,522
of which: regional governments or local authorities	3,873,851	2,238,974
of which: public sector entities	-	26,052
of which: multilateral development banks	4,877,439	2,140,206
of which: institutions	6,220,246	2,999,050
of which: corporates	6,369,295	4,101,853
of which: retail	58,554,424	38,419,101
of which: exposures in default	732,491	529,264
of which: covered bonds	1,132,964	1,609,770
of which: equity	792,259	20,081
of which: other items	4,926,179	2,752,613
<b>Total exposure amount</b>	<b>104,589,276</b>	<b>60,876,486</b>
<b>Risk exposure amounts according to the standardized approach</b>		
Credit risk including counterparty credit risk	58,919,066	38,019,317
of which: institutions	1,253,493	599,810
of which: corporates	6,295,879	4,014,407
of which: retail	43,915,818	28,814,326
of which: exposures in default	761,934	634,380
of which: covered bonds	113,296	160,977
of which: equity	1,184,791	50,203
of which: other items	5,393,855	3,745,214
Market risk	655,927	2,114,861
of which: foreign exchange risk	655,927	2,114,861
Operational risk	2,252,092	2,252,092
Credit valuation adjustments	8,709	4,084
<b>Total risk exposure amount</b>	<b>61,835,794</b>	<b>42,390,354</b>

	Consolidated situation	
	31 Dec 2021	31 Dec 2020
<b>Total minimum capital requirements</b>		
Credit risk including counterparty credit risk	4,713,525	3,041,545
of which: institutions	100,279	47,985
of which: corporates	503,670	321,153
of which: retail	3,513,265	2,305,146
of which: exposures in default	60,955	50,750
of which: covered bonds	9,064	12,878
of which: equity	94,783	4,016
of which: other items	431,509	299,617
Market risk	52,474	169,189
of which: foreign exchange risk	52,474	169,189
Operational risk	180,167	180,167
Credit valuation adjustments	697	327
<b>Total capital requirement</b>	<b>4,946,863</b>	<b>3,391,228</b>
<b>Own funds disclosure</b>		
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	32,237,388	14,892,742
Retained earnings	-1,648,704	-11,226
Accumulated other comprehensive income (and other reserves)	323,523	109,166
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>30,912,207</b>	<b>14,990,682</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Additional value adjustments	-1,487	-780
Intangible assets (net of related tax liability)	-5,949,231	-1,915,967
Losses for the current financial year	-7,016,944	-1,266,487
IFRS 9 transitional adjustments to CET1 Capital	1,435,830	706,710
Deferred tax assets rely on future profitability	-7,538	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1) capital</b>	<b>-11,539,370</b>	<b>-2,476,524</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>19,372,837</b>	<b>12,514,158</b>
<b>Additional Tier 1 (AT1) capital instruments</b>		
Capital instruments and the related share premium accounts	256,372	256,372
of which: classified as equity under applicable accounting standards	256,372	256,372
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	83,929	207,472
<b>Total Additional Tier 1 (AT1) capital instruments</b>	<b>340,301</b>	<b>463,844</b>
<b>Tier 1 capital</b>	<b>19,713,138</b>	<b>12,978,002</b>
<b>Tier 2 (T2) capital instruments</b>		
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	142,356	551,576
<b>Total Tier 2 (T2) capital instruments</b>	<b>142,356</b>	<b>551,576</b>
<b>Own funds</b>	<b>19,855,494</b>	<b>13,529,578</b>

## Note 20 Business combinations

### Hero Towers Limited, 2021

On July 9, 2021, Klarna Bank AB (publ) acquired 100% of the shares in Hero Towers Limited (Hero) and its wholly-owned subsidiary Hero Technologies Inc. Hero is a virtual shopping platform for eCommerce, offering one-to-one live streaming solutions for online merchants and in-store personnel to assist and convert online shoppers.

The total consideration was SEK 1,259m 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 1,070m has been recorded to goodwill, SEK 192m to acquired intangible assets and SEK 36m to deferred tax liabilities. SEK 33m refers to other net assets, specified below.

The goodwill primarily refers to the value of returns from future customers, future technology, buyer-specific synergies and the assembled workforce.

Hero Towers Limited	Purchase Price Allocation
Loans to credit institutions	52,029
Loans to the public	21,943
Intangible assets	191,600
Tangible assets	3,242
Other assets	14,583
Other liabilities	-58,272
Deferred tax liability	-36,362
<b>Net identifiable assets and liabilities</b>	<b>188,763</b>
Goodwill	1,070,068
<b>Consideration</b>	<b>1,258,831</b>

Certain parts of the consideration shares of Klarna Holding AB (publ) have vesting conditions. The share-based payments have been measured in accordance with IFRS 2, Share-based Payment, at the acquisition date. The total cost of share-based payment is allocated over the duration of the vesting period and is reported as General and administrative expenses in the Group's Income Statement.

From the date of acquisition until December 31, 2021, Hero Towers Limited and its wholly-owned subsidiary Hero Technologies Inc., contributed SEK 38m, net, to the Group's total operating revenues. The total effect on the Group's net result is not identifiable since the personnel and indirect costs of Hero are highly integrated to and not separable from other parts of Klarna's organization.

### Stocard GmbH, 2021

On July 21, 2021, Klarna Bank AB (publ) acquired 100% of the shares in Stocard GmbH (Stocard) and its wholly-owned subsidiaries Stocard UK Limited, Stocard S.á.r.l. and Stocard Pty Ltd. Stocard provides a mobile wallet app for consumers to gather all their loyalty cards electronically in one place. It also enables merchants to make targeted offerings to consumers, e.g., based on usage pattern and location.

The total consideration was SEK 1,114m 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 1,011m has been recorded to goodwill, SEK 180m to acquired intangible assets and SEK 54m to deferred tax liabilities. SEK -23m refers to other net assets, specified below.

The goodwill primarily refers to cross-selling synergies and workforce.

<b>Stocard GmbH</b>	<b>Purchase Price Allocation</b>
Loans to credit institutions	12,542
Loans to the public	18,542
Intangible assets	179,528
Tangible assets	60,994
Other assets	7,784
Prepaid expenses and accrued income	4,468
Deferred tax liability	-53,848
Other liabilities	-117,193
Accrued expenses and prepaid income	-10,168
<b>Net identifiable assets and liabilities</b>	<b>102,649</b>
Goodwill	1,011,491
<b>Consideration</b>	<b>1,114,140</b>

From the acquisition date until December 31, 2021, Stocard contributed SEK 51m, net, to the Group's total operating revenues. The total effect on the Group's net result is not identifiable since the personnel and indirect costs of Stocard are highly integrated to and not separable from other parts of Klarna's organization.

#### **Appri Fashion AB, 2021**

On July 23, 2021, Klarna Bank AB (publ) acquired 100% of the shares in Appri Fashion AB (now renamed to Klarna MAS AB). Appri offers a platform enabling merchants to manage their influencer relationships end-to-end on their own.

The total consideration was SEK 137m 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 78m has been recorded to goodwill, SEK 65m to acquired intangible assets and SEK 10m to deferred tax liabilities. SEK 4m refers to other net assets, specified below.

The goodwill primarily refers to Appri's future growth through new merchant customers, additional publishers and technological development as well as synergies.

<b>Appri Fashion AB</b>	<b>Purchase Price Allocation</b>
Loans to credit institutions	6,333
Loans to the public	3,672
Intangible assets	65,000
Other assets	5,422
Deferred tax liability	-10,360
Other liabilities	-11,108
<b>Net identifiable assets and liabilities</b>	<b>58,959</b>
Goodwill	78,098
<b>Consideration</b>	<b>137,057</b>

Certain parts of the consideration shares of Klarna Holding AB (publ) have vesting conditions. The share-based payments have been measured in accordance with IFRS 2, Share-based Payment, at the acquisition date. The total cost of share-based payment is allocated over the duration of the vesting period and is reported as General and administrative expenses in the Group's Income Statement.

From the acquisition date until December 31, 2021, Appri contributed by SEK 20m, net, to the Group's total operating revenues. The total effect on the Group's net result is not identifiable since the personnel and indirect costs of Appri are highly integrated to and not separable from other parts of Klarna's organization.

#### **Dreams Securities AB, 2021**

On October 15, 2021, Klarna Bank AB (publ) acquired 100% of the shares in Dreams Securities AB (now renamed to Klarna Securities AB). The total purchase consideration was SEK 16m. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, SEK 17m has been recorded to acquired intangible assets, SEK 4m million to deferred tax liabilities and SEK 3m to other net assets. No goodwill has been recognized in the acquisition. The purchase price allocation is considered preliminary at the end of the period.

#### **Zorro Cash K.K, 2021**

On October 26, 2021, Klarna Bank AB (publ) acquired 100% of the shares in Zorro Cash K.K. The total purchase consideration was SEK 23m. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, SEK 19m has been recorded to goodwill, SEK 3m to acquired intangible assets, SEK 1m million to deferred tax liabilities and SEK 2m to other net assets. The purchase price allocation is considered preliminary at the end of the period.

The goodwill mainly represents synergies and value of a strong management team and workforce.

Certain parts of the consideration shares of Klarna Holding AB (publ) have vesting conditions. The share-based payments have been measured in accordance with IFRS 2, Share-based Payment, at the acquisition date. The total cost of share-based payment is allocated over the duration of the vesting period and is reported as General and administrative expenses in the Group's Income Statement.

#### **Search Engine Marketing Sweden AB, 2020**

On December 4, 2020, Klarna Bank AB (publ) acquired 100% of the shares in Search Engine Marketing Sweden AB, a company offering Google Comparison Shopping Services, product feed management and shopping ad bid management under the brand names "Shoptail" and "Semtail".

The purchase price allocation was considered preliminary at the end of the period 2020 and adjusted during 2021. The total purchase consideration was SEK 73m after the adjustment. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, SEK 48m has been recorded to goodwill, SEK 20m to acquired intangible assets, SEK 4m million to deferred tax liabilities and SEK 9m to other net assets.

Certain parts of the consideration shares of Klarna Holding AB (publ) have vesting conditions. The share-based payments have been measured in accordance with IFRS 2, Share-based Payment, at the acquisition date. The total cost of share-based payment is allocated over the duration of the vesting period and is reported as General and administrative expenses in the Group's Income Statement.

The goodwill represents synergies that are expected to arise as a result of the operations acquired.

# Parent Company Financials.



## Balance Sheet, Parent Company

Amounts in SEKk	31 Dec 2021	31 Dec 2020
<b>Assets</b>		
Cash and balances with central banks	15,810,919	5,014,203
Treasury bills chargeable at central banks, etc.	9,744,295	5,219,426
Loans to credit institutions	1,965,041	1,722,857
Loans to the public	64,365,809	41,652,583
Bonds and other interest-bearing securities	1,132,964	1,609,770
Shares and participations in group companies	6,047,645	3,351,308
Other shares and participations	792,259	20,081
Intangible assets	1,491,792	771,505
Tangible assets	1,254,038	804,880
Deferred tax assets	43,641	486,327
Other assets	1,061,998	1,390,037
Prepaid expenses and accrued income	407,268	226,943
<b>Total assets</b>	<b>104,117,669</b>	<b>62,269,920</b>
<b>Liabilities</b>		
Liabilities to credit institutions	712,324	2,386,007
Deposits from the public	59,409,067	30,681,663
Debt securities issued	8,797,392	3,997,212
Deferred tax liabilities	64,694	119
Other liabilities	13,392,941	16,701,696
Accrued expenses and prepaid income	2,180,435	1,305,763
Provisions	65,125	141,514
Subordinated liabilities	301,056	599,120
<b>Total liabilities</b>	<b>84,923,034</b>	<b>55,813,094</b>
<b>Untaxed reserves</b>	<b>2,213</b>	<b>2,213</b>
<b>Equity</b>		
Share capital	65,329	52,869
Reserve for development costs	1,057,480	650,264
Share premium reserve	18,995,862	-
Other reserves	-8,043	-3,715
Additional Tier 1 instruments	250,000	250,000
Retained earnings	4,878,289	6,678,729
Net result for the year	-6,046,495	-1,173,534
<b>Total equity</b>	<b>19,192,422</b>	<b>6,454,613</b>
<b>Total liabilities and equity</b>	<b>104,117,669</b>	<b>62,269,920</b>

## Definitions and Abbreviations

### Advertising products and services

Services provided to retailers to engage and attract consumers including AI and influencer-led content creation, search and dynamic advertising and in-app sponsored placements.

### Capital requirement

Total assets and off-balance sheet items, risk-weighted according to the capital adequacy rules for credit and market risk. The operational risks are measured and added as risk exposure amount.

### Common Equity Tier 1 capital

Equity excluding proposed dividend, deferred taxes and intangible assets and certain other regulatory adjustments defined in Regulation (EU) No 575/2013 (CRR) and EU 241/2014.

### Consumer

An individual or company using our services.

### Debt/equity ratio\*

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

### Equity/assets ratio\*

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

### Financing

Klarna's account product.

### Gross Merchandise Value

Value of products sold through Klarna platform.

### Klarna Card

Klarna's physical shop anywhere card.

### Klarna In-Store

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

### Monthly active app users

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

### Own funds (Total capital)

The sum of Tier 1 capital and Tier 2 capital.

### Pay now

Klarna's product for immediate settlement.

### Return on assets\*

Net result for the last 12 months as a percentage of average total assets. The calculation of average total assets is based on opening and closing balances for the last 12 months.

### Return on equity\*

Operating result for the last 12 months as a percentage of average equity adjusted for untaxed reserves. The calculation of average equity is based on opening and closing balances for the last 12 months.

### Restricted Stock Units

Klarna's Restricted Stock Unit Program for employees, implemented in 2020.

### Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

### Tier 2 capital

Subordinated liabilities, which are eligible for inclusion in the total capital.

### Total capital ratio

Total capital as a percentage of risk exposure amounts

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

## Board of Directors' affirmation

The Board of Directors certifies that this annual financial statement release provides a fair overview of the Parent Company's and the Group's operations, their financial position and result, and describes material risks and uncertainties that the Parent Company and other companies in the Group are facing.

Stockholm, February 28, 2022

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

Sebastian Siemiatkowski  
CEO and Board member

This report has not been subject to review by the Company's auditors.

## Further information

For more information visit the Company website at [www.klarna.com](http://www.klarna.com)

Or contact:

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Corp. ID: 556737-0431

The information in this report is such that Klarna Bank AB (publ) is obliged to make public under the EU Market Abuse Regulation and the Securities Market Act. This information was submitted for publication, through the agency of the contact persons set out above, on February 28, 2022 at 08:00 a.m CET.

## Future calendar events

The annual report will become public on the Company's website during March 25-31, 2022.

## Five Year Summary Jan - Dec, Group

Amounts in SEKk	Jan - Dec 2021	Jan - Dec 2020	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
<b>Income statement</b>					
Total net operating income	13,754,489	10,000,104	7,154,668	5,450,781	4,158,045
Operating result	-6,580,162	-1,629,127	-1,088,649	160,910	523,987
Net result for the year	-7,092,503	-1,375,809	-902,356	105,224	345,613
<b>Balance sheet</b>					
Loans to credit institutions	4,990,233	2,614,447	1,907,129	2,367,631	1,211,778
Loans to the public	62,086,767	41,717,591	29,654,552	19,979,002	13,874,164
All other assets	38,047,489	17,463,216	8,305,879	5,513,199	3,901,290
<b>Total assets</b>	<b>105,124,489</b>	<b>61,795,254</b>	<b>39,867,560</b>	<b>27,859,832</b>	<b>18,987,232</b>
Liabilities to credit institutions	712,580	2,414,897	4,939,524	1,418,054	396,965
Deposits from the public	59,670,325	30,834,677	12,287,653	14,581,769	8,491,654
All other liabilities	26,295,634	22,221,717	17,344,917	7,717,750	6,065,083
Total equity	18,445,950	6,323,963	5,295,466	4,142,259	4,033,530
<b>Total liabilities and equity</b>	<b>105,124,489</b>	<b>61,795,254</b>	<b>39,867,560</b>	<b>27,859,832</b>	<b>18,987,232</b>
<b>Key ratios and figures<sup>1</sup></b>					
Return on equity	-53.1%	-28.0%	-23.1%	3.9%	15.8%
Return on assets	-8.5%	-2.7%	-2.7%	0.4%	2.2%
Debt/equity ratio	5.7	7.7	6.2	4.7	3.7
Equity/assets ratio	17.5%	10.2%	13.3%	14.9%	21.2%
Own funds (Total capital) <sup>2</sup>	19,855,494	13,529,578	8,448,158	3,424,327	2,830,504
Capital requirement <sup>2</sup>	4,946,863	3,391,228	2,115,637	1,820,881	1,244,297
Total capital ratio <sup>2</sup>	32.1%	31.9%	31.9%	15.0%	18.2%
Average number of full-time equivalents	4,789	3,238	2,248	1,713	1,380

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



Klarna.