

Interim Report

January-June 2021

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



Klarna.

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Financial information

The information is presented for Klarna Bank AB (publ), if not otherwise stated.

January - June 2021

Strong performance of the business over the period has delivered:

53%

Gross merchandise volume - YoY growth

USD 39bn (22bn)

Gross merchandise volume - SEK 328bn¹ (215bn)²

40%

Total net operating income - YoY growth

USD 755m (466m)

Total net operating income - SEK 6,345m (4,518m)

38.9% (22.3)

CET 1 ratio

¹ Klarna's results are reported in SEK. To arrive at USD values, average exchange rates over the period have been used. 1 USD equals approximately 8.4 SEK for the first six months of 2021. All percentages are calculated on a SEK basis.

² Klarna's results are reported in SEK. To arrive at USD values, the average exchange rates YTD have been used; 1 USD equals approximately 9.7 SEK for the first six months of 2020. All percentages are calculated on a SEK basis.

Highlights from the period

- **Record second quarter with over USD 20bn** Gross Merchandise Volume (GMV) compared to USD 12bn in Q2 2020.
- **GMV for H1 2021 at USD 39bn compared to USD 22bn in H1 2020**, enhancing Klarna's position as the global shopping partner of choice.
- Growth in all key markets globally, with **strong performance in the US** with **Gross Merchandise Volume up 311% in the first half of 2021**, driven by rising consumer adoption, with **20 million Americans now using Klarna**, up from 17 million in April 2021.
- With over **90 million global active users and 2 million transactions a day across 17 markets**, Klarna is meeting the changing demands of consumers who want to shop, pay and bank on one intuitive platform and with one trusted brand. During the period we launched Klarna in France and New Zealand, and also Poland in August.
- **18 million global monthly active users** are choosing to shop, pay and bank with the **Klarna app, up 50% year on year**. The Klarna Shopping app feature, enabling consumers to **shop everywhere with Klarna** is now live in the US, Sweden, Australia, New Zealand and the UK.
- Retailer partnerships go from strength to strength as we expand relationships to a global landscape including Yoox Net-a-Porter, Charlotte Tilbury and Moncler, and develop our partnerships in-store as well as online.
- We continue to cement our position as the global partner of choice for retailers by adding marketing services that generate value by creating an inspiring and immersive shopping experience for consumers. In H1 2021 we have added to our extensive in-house marketing support expertise with the acquisitions of Toplooks, HERO and APPRL, and launching our own Comparison Shopping Service through 2020 acquisition Semtail.

US focus

US consumers continue to shift from interest-bearing forms of credit and embrace Klarna's interest-free Pay Later offering with Gross Merchandise Volume up 311% year on year to June 2021, driven by a rise in consumers to 20 million. Klarna's brand investment activity, including the 'Four Quarter-Sized Cowboys' ad that aired during the fourth quarter of the Super Bowl LV and the global 'Drop Your Lockdown Look' campaign with A\$AP Rocky, strengthened Klarna's position as one of the most downloaded shopping apps, with installations up 115% year on year, and 20% higher than our nearest competitor³. Our average Net Promoter Score at 72⁴ is in the top quartile of consumer goods

³ AppAnnie, 2021

⁴ Klarna customer survey pulse, Jan-Jun 2021

and services companies, and well above the average of 34 for traditional banks⁵, illustrating a high level of satisfaction with Klarna.

We continue to develop new retailer relationships across a range of sectors and price points, while also enhancing relationships with existing partners to expand their online and in-store offering. We are now supporting the growth of almost 10,000 retailers in the US, up 90% year on year to June 2021, including new partners Dickies, Prabal Gurung, Petco, The Honest Company, Mr Porter, Olaplex while expanding our existing relationships with Nike (Pay in 4), Pandora, Ralph Lauren and CK (in-store) so consumers can use Klarna everywhere they want to shop.

Creating products that make consumers lives easier

The **Klarna shopping app**, which powers the shopping experience for consumers from inspiration to payment to delivery and returns tracking, is now live in the US, Australia, New Zealand, Sweden and, most recently, the UK. Our ambition is for Klarna to be ubiquitous - across verticals, markets, and channels. The shopping app supports this ambition as it allows consumers to shop at any online retailer with Klarna's Pay Later services, giving shoppers flexibility, choice and the ability to better manage their finances, eliminating the need for credit cards through Klarna's interest-free payment options and Buyer Protection Policy.

Klarna is making giving back to the planet simple, transparent, and impactful for its 90 million consumers. Launched as part of Klarna's **ESG strategy**, the Klarna app now has the added functionality of helping consumers track the carbon footprint of their purchases, supporting them to make choices in favor of planet health as part of their everyday purchasing decisions. App users can also make in-app donations to transformative projects through our partnership with Milkywire.

The **Klarna card**, currently available in Sweden and Germany, has gained traction with consumers through its smart, flexible features including no fees, no added FX cost, instant purchase notifications all linked to a consumer's Klarna account. Over 660,000 cards are now in use, up 83% year on year, with consumers using the cards most often for everyday expenses such as eating out, groceries, fuel and local travel.

US and Australian consumers continue to adopt **Vibe** as a free post-purchase benefit, to receive curated rewards and benefits based on their shopping habits. New memberships continue to accelerate with nearly 850,000 consumers joining Vibe in 2021, taking total members to over 1.8 million.

⁵ Retently, 2021

Germany is the first market to experience the full end-to-end Klarna experience from shopping inspiration to managing spend - all from the Klarna app. The introduction of **Current accounts** in Germany enables consumers to have all their finances in one place where they can easily track, categorize and analyze all of their everyday spending. After a successful initial test phase, accounts are now being offered to the waitlist with another 4,500 consumers invited to sign up. As Sweden's most sustainable bank as voted for by consumers⁶, we continue to attract new consumers to our **Savings accounts** with 15,000 new accounts opened during the first half of 2021.

In line with Klarna's consumer-first strategy and ambition we have refined our approach to friendly reminders to ensure consumers are aware of scheduled payments. The Never Forget Test is now live in Austria as well as Sweden. This approach continues to help consumers avoid late fees as they have declined as a proportion of overall revenues and are vastly outpaced by growth in retailer revenue and GMV, even as the number of Klarna users continues to increase.

Increasing support for retailers of all sizes to grow their business

Klarna thrives when our retail partners do. In 2021 we have invested in new revenue generating tools and technologies that help retailers attract and retain customers, while ensuring an elevated shopping experience for consumers.

With social shopping expected to reach USD 84 billion by 2024⁷ - 15% of total estimated US e-commerce volumes⁸ - this is an area where Klarna is capturing growth through the creation of an immersive, informative and innovative experience for shoppers. Toplooks joined Klarna in March 2021, bringing their AI-styling engine to help retailers create dynamic, shoppable content across channels that provides consumers with inspiration for items that complement their initial product selection. HERO, acquired in July 2021, provides retailers with the ability to make their in-store and central teams online brand ambassadors through video and chat, helping consumers with live product selection, information and advice while bringing the benefits of in-store shopping to the online space and supercharging their e-commerce sales. The acquisition of APPRL in July 2021 supports retailers in accessing social commerce by connecting them with the right content creators for their audience and tracking campaign success through an intuitive platform.

Klarna now also supports retailers through more traditional search shopping, by offering a Comparison Shopping Service (CSS) in 21 markets, enabling Klarna to offer retailers mass-marketing support alongside its tailored customer acquisition and retention products. Klarna CSS offers

⁶ <https://hallbaravarumarken.se/>

⁷ Business Insider; TechNavio; 2019

⁸ Statista Digital Market Outlook

partner retailers across Europe increased customer reach and budget savings to boost their return on advertising spend and drive traffic from high shopping intent consumers.

As a global partner of choice, Klarna is strengthening new and existing retailer partnerships by expanding them to global scale across demographics and verticals. For example, during the period we signed Yoox Net-a-Porter group and their four brands, Net-a-Porter, Mr Porter, Yoox, and The Outnet, launching the partnership in the US, UK, Germany, Italy, Austria, Finland, and The Netherlands, as well as Charlotte Tilbury, expanding our current UK relationship to a further 9 markets including the US, Australia, Spain, Italy and France.

Klarna continues to support Small and Medium-sized Businesses (SMBs) to reach global audiences, but has refocused its support in light of the disproportionate impact the pandemic has had, particularly on minority and female-led businesses. Klarna donated USD 4.5m in free services to aid SMBs in recovery by offering free access to Klarna services, including fee-free payment services and marketing exposure across Klarna's ecosystem to help them return to growth. In the UK, we launched a GBP 3m Small Business Support Package to provide 100 British retail SMBs with access to Klarna marketing and payment services, amounting to over GBP 30,000 for each business. Over 13,000 SMBs globally joined Klarna through its organic pipeline in the first half of 2021, in addition to those accessing Pay Now and Pay Later services through payment partners, Stripe and Shopify, with whom we have expanded our relationship into six new European markets.

To Our Shareholders

The first six months of 2021 have been markedly different to the same time last year. Foremost in my mind is the sense of hope as we see vaccination programs rolled out across the globe, and precautions to keep each other safe have become a part of everyday life. We are seeing recovery in physical retail which is having positive impacts on both local and global economies, with people returning to work, and retailers continue to see benefits from investments made in their e-commerce capabilities in the last 18 months. While the pandemic is far from over and many countries continue to face social and economic challenges, I believe there is reason to be positive about what comes next.

The pandemic has been a transformational moment for consumer behavior, particularly across payments and shopping. It has accelerated changes in consumer preferences that were already taking place. In the second quarter of 2020, US consumers paid off a record \$76 billion in credit card debt, and this has continued into 2021. As things start to open up and some may have expected credit card spend to return to past levels, Americans still paid off \$49 billion of credit card balances in Q1 2021⁹. In my view, the time of credit cards being endless money machines for traditional banks is coming to a close.

Credit cards drive economic inequalities. Those who can afford to pay off their balances each month reap rewards through loyalty schemes while those who can't afford to simply get into more debt. The lowest income households pay \$21 in fees and interest while the highest income households reap \$750 in rewards¹⁰.

The credit card model is simply unsustainable for consumers, in fact, it's unsustainable credit. And consumers are waking up to this as they choose more sustainable forms of net credit that are transparent, fair and suit the way they live their lives today. We're seeing this not just through Klarna's success, but through traditional banks and other payment platforms creating pay later products as they too recognize consumers are no longer willing to pay over the odds for flexibility in managing their money. It remains to be seen though whether these new so-called 'BNPL' offers from traditional players really are different from their credit cards and beneficial to consumers, or just an exercise in bandwagon jumping. Over 90 million global consumers - and 20 million US consumers - now choose Klarna with the overwhelming majority choosing interest-free Pay Later products. And we're seeing this trend globally. Over 98% of Klarna's global transactions are interest-free.

Sustainable credit is the basis of our long-term business model. Over time we see customers move more of their spend to Klarna as they realize the benefits of flexible payments coupled with an unrivalled shopping experience. And customers remain satisfied with our service; our Net Promoter Score, a globally recognized measure of customer satisfaction, puts Klarna well above traditional banks' benchmark of 34¹¹ and in the top quartile of consumer companies, averaging 65 in Sweden

⁹ [US Federal reserve Centre for Microeconomic Data, Q1 2021 Report, May 2021](#)

¹⁰ Federal Reserve Bank of Boston

¹¹ Retently, 2021

and 72+ in the US¹². Now we are the most trusted bank in Sweden¹³ and 12th most trusted company overall¹⁴, voted most sustainable by consumers - we plan to build that reputation in all the markets we operate in.

This trust, combined with our innovative products that suit the way consumers shop, pay and bank today, drives huge benefits for consumers and retailers. This is why Klarna's growth has consistently outpaced both global and US e-commerce for the last four years as we continue to connect consumers and retailers in new ways to elevate the shopping experience. As we invest for growth by expanding our offering in existing markets and bringing Klarna to new markets, we are confident we can continue this strong track record that is helping create a sustainable global digital economy that benefits everyone.

And as Klarna grows, we know we need to shoulder some more responsibility for solving the problems that affect all of us. That's why in March we launched Give One where we pledged 1% of the \$1.7 billion in equity we raised in 2021 from shareholders to help solve problems related to planet health. And it's not just important how we contribute as Klarna, but also how we help consumers take action for the planet. That's why we introduced a CO2 tracker into our app, available to all 90 million Klarna consumers for free, that helps them make small decisions in favor of the planet everyday - and perhaps give a little back through checkout donations to Give One partners. This forms part of our new sustainability strategy which also encompasses financial wellness and diversity and inclusion.

All of this would not be possible without the expertise, commitment and passion of our people. We're expanding fast and every day they rise to the challenge, delivering more and better for our consumers and our retailers. So thank you.

To our retail partners, I also say thank you for their support and continued focus on making shopping a great experience for consumers with Klarna across the globe. I hope, after a tough 18 months where retailers and their employees have had to quickly adapt to changing circumstances both online and in-store, we are now in a stronger position than before the pandemic and can look forward to building an exciting future for retail together.

And finally to our shareholders. I am, as ever, grateful for your continued belief in Klarna's vision and your desire to help us build a global retail economy based on sustainable credit that puts consumers in the driving seat of their finances, not banks. We're on an exciting journey and I value you being with us every step of the way.

Sebastian Siemiatkowski
CEO and Co-Founder of Klarna

¹² Klarna customer survey pulse, Jan-Jun 2021

¹³ <https://hallbaravarumarken.se/>

¹⁴ Kantar Sifo reputation index 2021

Business overview.

Business overview

The CEO of Klarna Bank AB (publ) hereby submits the report for the period January 1 – June 30, 2021. Klarna Bank AB (publ)'s parent company is Klarna Holding AB. 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.

Information about the business

The company's subsidiary 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 payments and shopping services and we continuously develop new products and services to elevate the entire shopping experience for consumers, which in turn drives value for our retail partners. At the core of everything we do is the focus to give our consumers the choice and control of how to shop and manage their personal finances in a sustainable way. Together our products and services build the 'Klarna everywhere' concept, enabling consumers to choose how, where and when to shop, pay and bank with Klarna, based on their own needs and preferences.

Our success to date 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 necessary across all parts of the business - from the handling of 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 17 markets.

Business results

During the first half of 2021, we continued to grow rapidly across markets. The investments we have made in new and improved products and services to support retailer growth and create an elevated shopping experience for consumers has driven demand, as consumers look for smarter ways to manage their money as they shop, pay and bank. Together, this drives the *Gross merchandise volume* which increased by 53% to SEK 328bn compared to the same period last year, as well as the

Total net operating income, which increased by 40% year on year resulting in SEK 6,345m at period end.

Commission income increased by 51% year on year to SEK 5,156m, as we expand relationships globally and continue to build out value additive services that support retailer growth. Klarna continues to actively manage down the share of late fees during the period. This is to a large extent supported by a significant increase in app usage adoption. We have expanded and refined our approach to nudge consumers to pay on time through friendly reminders, budgeting tools and our Never Forget test, thereby enabling them to have increased control over their personal finances and enjoy all the benefits of interest-free flexible payments.

Interest income grew by 18% year on year to SEK 1,881m, remaining 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 381m at period end, due to continued rapid overall growth. The growth in Pay Later products has driven an increase in *Loans to the public* of 49% year on year, in line with GMV growth, to SEK 49,057m. *Loans to the public* have been partly funded by the increase in *Deposits from the public*, which have increased by 52% year on year to SEK 35,983m, primarily driven by EUR deposits.

Total expenses before credit losses grew by 56% year on year. This is in line with the plan as we invest in our people, our platform, value additive services to retailers, and consumer acquisition to power our global growth. For example, during Q2 we launched in two new markets, New Zealand and France, and continued to add services to the Klarna app such as budgeting tools and a carbon tracker, and launched the Klarna Everywhere Shopping app in the UK. We have also significantly invested in hiring top talent across competences and markets, for example by launching a tech hub in Madrid which will create 500 jobs in engineering. Together these efforts will facilitate further growth as we continue to expand in current markets with a focus on the US as well as move into new markets.

The pandemic has had a profound effect on the retail industry, with retailers pivoting to a largely online offering as physical stores were closed or the in-store offering restricted. We are now seeing recovery in many markets in which we operate. We are continuously monitoring relevant market development, ensuring that appropriate assessments on potential impacts are made on both the consumer and retail partner facing sides of the business. Shorter duration credits in combination with our diversified exposure to verticals and geographical markets lowers our risk. Klarna's financial standing is robust given the equity raises during 2021 and the current liquidity buffer which is well in excess of regulatory requirements. A model overlay adjustment of SEK 70m related to Covid-19 remains in place.

With the continued growth, and in particular the rapid expansion in newer markets, the share of new consumers increases. The share of first time Klarna consumers affects net credit losses, which is why new market entries are likely to entail higher credit loss rates during the initial phase as our credit models mature. *Net credit losses* amounted to SEK 1,849m for the period. Credit quality remains steady in core markets and is steadily improving in newer markets. For example, in the UK 93% of our customers are considered prime or better by credit agencies. The average duration of Klarna's credit portfolio is ~46 days, meaning there is an ability to steer balance sheet growth and related risk.

Operating result for the period was SEK -1,761m, compared to SEK -690m in 2020. *Net result* recorded at SEK -1,408m, compared to SEK -552m in 2020.

Capital adequacy has strengthened compared to the same period last year due to equity raises in the first half of 2021 and Klarna Bank AB (publ) now has a CET1 ratio of 32.3%.

Interaction with regulators

Below is a summary of the notable interactions with Klarna's regulators.

In January, Klarna welcomed the recommendations from the Woolard Review into change and innovation in the UK's unsecured credit market.

The SFSA upgraded Klarna Bank AB to category Tier 2 (previously Tier 3) in its annual supervisory categorization of credit institutions in September 2020, which came into effect on 1st of January 2021.

On January 12, 2021 the SFSA announced an inspection of Klarna's credit risk governance. The SFSA intends to investigate how Klarna manages, follows up and internally reports its credit risk. The inspection is still ongoing.

On March 31, 2021 the SFSA initiated an inspection on information- and cyber security (ICT) as part of their regular oversight activities, to assess Klarna's processes and risk handling. On July 5, the SFSA extended the inspection to include an IT incident that occurred on May 27. The inspection is still ongoing.

Significant events during the period

On March 1, Klarna Holding AB (publ) announced a USD 1.1bn (SEK 8,406m) funding round to accelerate international expansion and further capture global retail growth.

On 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.

On June 21, 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.

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

On June 10, 2021 Klarna raised USD 640m (SEK 5,450m) in equity in a funding round to support international expansion and further capture global retail growth.

Future development

Klarna continues to establish its position as a leading global payments provider and shopping service by creating an elevated shopping experience, powering retailer growth and driving consumer engagement and loyalty. With a proven concept for market expansion, Klarna will continue to grow by entering new markets and continuing to diversify revenue streams, including expanding new non-credit and marketing support services for retailers. Klarna will further enhance the offering towards both retailers and consumers across markets through the optimization and expansion of the current offering as well as the strategic acquisition of companies with relevant services. By continuing to build global consumer-centric products that create an exciting shopping experience, Klarna will be able to offer services that are even more tailored to each consumer, therefore setting up a platform for driving sustained preference and growth for the future.

Risk management

Klarna is, through its business activities, subject to a number of different risks where credit risk is the most significant one. Other major risks are operational risk, liquidity risk and business 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 decide 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 area of responsibility.

The second line of defense refers to Klarna's independent control functions that report to the CEO and the Board. The functions consist of Risk Control, Engineering Assurance and Compliance. To ensure independence, these functions are not involved in business operations, but set the principles and framework for risk management, facilitate risk assessment and perform independent control, including reporting of adherence to risk appetites, limits and frameworks as well as ensuring that operations are carried out in compliance with external regulations and internal policies. They shall also promote a sound risk management and compliance culture by supporting and educating business line managers and staff.

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 auditors.

Group financials.

Five Year Summary, Group

Amounts in SEKk	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2019	Jan - Jun 2018	Jan - Jun 2017
Income statement					
Total net operating income	6,345,464	4,517,860	3,314,081	2,504,271	1,893,167
Operating result	-1,761,475	-689,954	-77,762	111,647	320,507
Net result for the period	-1,407,943	-551,758	-83,528	71,018	228,444
Balance sheet					
Loans to credit institutions	2,512,144	1,717,226	1,774,862	2,269,144	485,015
Loans to the public	49,057,182	32,975,358	22,638,909	15,234,766	9,735,650
All other assets	24,443,461	14,008,541	6,039,079	4,017,576	2,583,888
Total assets	76,012,787	48,701,125	30,452,850	21,521,486	12,804,553
Liabilities to credit institutions	1,828,187	2,540,836	466,264	341,704	483,532
Deposits from the public	35,982,810	23,686,973	15,217,700	10,555,645	6,190,265
All other liabilities	20,220,814	16,738,045	10,658,935	6,465,993	3,027,138
Total equity	17,980,976	5,735,271	4,109,951	4,158,144	3,103,618
Total liabilities and equity	76,012,787	48,701,125	30,452,850	21,521,486	12,804,553
Key ratios and figures¹					
Return on equity	-22.8%	-34.6%	-0.7%	8.7%	12.5%
Return on assets	-3.6%	-3.5%	-0.2%	1.1%	2.2%
Debt/equity ratio	4.3	7.0	6.1	3.9	3.4
Equity/assets ratio	23.7%	11.8%	13.5%	19.3%	24.2%
Cost/revenue ratio	98.6%	88.8%	83.7%	81.1%	73.7%
Own funds (Total capital)	20,657,133	8,019,930	4,490,839	2,746,026	2,398,316
Capital requirement	4,152,752	2,515,203	2,034,744	1,482,458	968,904
Total capital ratio	39.8%	25.5%	17.7%	14.8%	19.8%
Average number of full-time equivalents	4,122	3,020	2,112	1,626	1,331

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

Five Year Summary, Parent Company

Amounts in SEKk	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2019	Jan - Jun 2018	Jan - Jun 2017
Income statement					
Total net operating income	5,142,246	3,634,337	2,966,186	1,978,219	1,762,398
Operating result	-1,499,122	-820,513	-35,536	-48,793	378,842
Net result for the period	-1,249,116	-640,167	-16,622	-38,108	336,993
Balance sheet					
Loans to credit institutions	1,253,292	889,729	1,232,913	1,645,456	200,830
Loans to the public	49,781,353	32,888,522	22,432,301	15,162,789	10,173,342
All other assets	24,212,990	13,441,219	5,613,827	3,556,748	2,130,116
Total assets	75,247,635	47,219,470	29,279,041	20,364,993	12,504,288
Liabilities to credit institutions	1,828,187	2,540,835	466,264	341,704	483,532
Deposits from the public	35,812,932	23,595,917	15,184,645	10,537,011	6,190,265
All other liabilities	19,654,306	15,612,867	9,900,117	5,905,530	2,931,203
Total equity	17,952,210	5,469,851	3,728,015	3,580,748	2,899,288
Total liabilities and equity	75,247,635	47,219,470	29,279,041	20,364,993	12,504,288
Key ratios and figures¹					
Return on equity	-17.5%	-36.7%	3.2%	0.2%	12.2%
Return on assets	-2.9%	-3.6%	0.7%	-0.2%	2.6%
Debt/equity ratio	4.2	7.2	6.3	4.1	3.5
Equity/assets ratio	23.9%	11.6%	13.1%	18.2%	23.7%
Cost/revenue ratio	107.0%	91.9%	82.3%	85.4%	68.8%
Own funds (Total capital)	18,138,163	5,770,992	4,075,296	3,782,985	3,109,676
Capital requirement	4,354,146	2,717,761	2,207,648	1,580,784	1,077,632
Total capital ratio	33.3%	17.0%	14.8%	19.1%	23.1%
Average number of full-time equivalents	3,367	2,564	1,439	1,038	894

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

Income Statement, Group

Amounts in SEKk	Note	Jan - Jun 2021	Jan - Jun 2020	Jan - Dec 2020
Interest income	4	1,880,874	1,591,473	3,264,747
Interest expenses	5	-380,904	-278,018	-601,096
Net interest income		1,499,970	1,313,455	2,663,651
Commission income	6	5,155,810	3,421,689	7,672,573
Commission expenses		-341,276	-243,809	-574,101
Net result from financial transactions		-181,787	-26,470	92,140
Other operating income		212,747	52,995	145,841
Total net operating income		6,345,464	4,517,860	10,000,104
General administrative expenses		-5,980,318	-3,829,972	-8,680,168
Depreciation, amortization and impairment of intangible and tangible assets		-277,825	-183,379	-418,249
Total operating expenses before credit losses		-6,258,143	-4,013,351	-9,098,417
Operating result before credit losses, net		87,321	504,509	901,687
Credit losses, net	7	-1,848,796	-1,194,463	-2,530,814
Operating result		-1,761,475	-689,954	-1,629,127
Income tax		353,532	138,196	253,318
Net result for the period		-1,407,943	-551,758	-1,375,809
Whereof attributable to:				
Shareholders of Klarna Bank AB (publ)		-1,415,091	-559,162	-1,390,691
Additional Tier 1 capital holders		7,148	7,404	14,882
Total		-1,407,943	-551,758	-1,375,809

Statement of Comprehensive Income, Group

Amounts in SEKk	Jan - Jun 2021	Jan - Jun 2020	Jan - Dec 2020
Net result for the period	-1,407,943	-551,758	-1,375,809
Items that may be reclassified subsequently to the income statement:			
Exchange differences, foreign operations	43,428	-1,033	-116,496
Taxes on exchange differences, foreign operations	1,695	-	-
Other comprehensive income for the period, net after tax	45,123	-1,033	-116,496
Total comprehensive income for the period	-1,362,820	-552,791	-1,492,305
Whereof attributable to:			
Shareholders of Klarna Bank AB (publ)	-1,369,968	-560,195	-1,507,187
Additional Tier 1 capital holders	7,148	7,404	14,882
Total	-1,362,820	-552,791	-1,492,305

Balance Sheet, Group

Amounts in SEkk	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
Assets				
Cash and balances with central banks		6,393,103	5,014,210	1,922,110
Treasury bills chargeable at central banks, etc.		8,873,640	5,219,426	5,301,093
Loans to credit institutions		2,512,144	2,614,447	1,717,226
Loans to the public	8	49,057,182	41,717,591	32,975,358
Bonds and other interest-bearing securities		1,304,010	1,609,770	2,081,274
Other shares and participations		969,029	20,081	135,687
Intangible assets		2,656,479	2,449,280	2,292,255
Tangible assets		1,348,327	1,003,664	999,921
Deferred tax assets		1,102,471	643,879	467,682
Other assets		1,330,442	1,140,244	581,498
Prepaid expenses and accrued income		465,960	362,662	227,021
Total assets		76,012,787	61,795,254	48,701,125
Liabilities				
Liabilities to credit institutions		1,828,187	2,414,897	2,540,836
Deposits from the public		35,982,810	30,834,677	23,686,973
Debt securities issued	9	5,439,727	4,182,723	4,767,907
Deferred tax liabilities		58,022	75,998	81,278
Other liabilities	10	12,520,906	15,797,011	10,123,583
Accrued expenses and prepaid income		1,763,794	1,423,335	1,016,103
Provisions		137,541	143,530	150,181
Subordinated liabilities		300,824	599,120	598,993
Total liabilities		58,031,811	55,471,291	42,965,854
Equity				
Share capital		58,369	52,869	52,752
Other capital contributed		20,299,929	7,305,180	5,805,140
Reserves		154,844	109,325	224,788
Additional Tier 1 instruments		250,000	250,000	250,000
Retained earnings		-1,374,223	-17,602	-45,651
Net result for the period		-1,407,943	-1,375,809	-551,758
Total equity		17,980,976	6,323,963	5,735,271
Total liabilities and equity		76,012,787	61,795,254	48,701,125

Statement of Changes in Equity, Group

Amounts in SEKk	Share capital	Other capital contributed	Reserves ³	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2021	52,869	7,305,180	109,325	250,000	-17,602	-1,375,809	6,323,963
Reclassification	-	-	396	-	-160	-	236
Transfer of previous year's net result	-	-	-	-	-1,375,809	1,375,809	-
<i>Net result for the period</i>	-	-	-	-	-	-1,407,943	-1,407,943
<i>Other comprehensive income, net after tax</i>	-	-	45,123	-	-	-	45,123
Total comprehensive income for the period	-	-	45,123	-	-	-1,407,943	-1,362,820
New share issue	5,500	12,994,749	-	-	-	-	13,000,249
Restricted stock units ¹	-	-	-	-	26,495	-	26,495
Additional Tier 1 instruments ²	-	-	-	-	-7,148	-	-7,148
Balance as at June 30, 2021	58,369	20,299,929	154,844	250,000	-1,374,223	-1,407,943	17,980,976

Amounts in SEKk	Share capital	Other capital contributed	Reserves ³	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2020	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 period</i>	-	-	-	-	-	-551,758	-551,758
<i>Other comprehensive income, net after tax</i>	-	-	-1,033	-	-	-	-1,033
Total comprehensive income for the period	-	-	-1,033	-	-	-551,758	-552,791
Shareholders' contribution ⁴	-	1,000,000	-	-	-	-	1,000,000
Additional Tier 1 instruments ²	-	-	-	-	-7,404	-	-7,404
Balance as at June 30, 2020	52,752	5,805,140	224,788	250,000	-45,651	-551,758	5,735,271

¹ Klarna's Restricted Stock Unit Program for employees, implemented in 2020.

² 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.

³ The reserves consist of exchange differences from foreign operations.

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

Amounts in SEKK	Share capital	Other capital contributed	Reserves ⁴	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2020	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>	-	-	-	-	-	<i>-1,375,809</i>	<i>-1,375,809</i>
<i>Other comprehensive income, net after tax</i>	-	-	<i>-116,496</i>	-	-	-	<i>-116,496</i>
Total comprehensive income for the year	-	-	-116,496	-	-	-1,375,809	-1,492,305
New share issue	117	-	-	-	-	-	117
Shareholders' contribution ¹	-	2,500,040	-	-	-	-	2,500,040
Restricted stock units ²	-	-	-	-	35,527	-	35,527
Additional Tier 1 instruments ³	-	-	-	-	-14,882	-	-14,882
Balance as at December 31, 2020	52,869	7,305,180	109,325	250,000	-17,602	-1,375,809	6,323,963

¹ Shareholders' contribution from parent company Klarna Holding AB (publ) partly through conversion of loans between Klarna Bank AB (publ) and Klarna Holding AB (publ).

² Klarna's Restricted Stock Unit Program for employees, implemented in 2020.

³ 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.

⁴ The reserves consist of exchange differences from foreign operations.

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

Cash Flow Statement, Group

Amounts in SEKk	Note	Jan - Jun 2021	Jan - Jun 2020	Jan - Dec 2020
Operating activities				
Operating result		-1,761,475	-689,954	-1,629,127
Taxes paid		-34,526	-17,863	-150,858
<i>Adjustments for non-cash items in operating activities</i>				
Depreciation, amortization and impairment		277,825	183,379	418,249
Provisions excluding credit losses		2,260	902	1,527
Provision for credit losses		667,924	236,335	631,229
Share-based payments		26,495	-	35,527
Financial items including unrealized exchange rate effects		168,559	713	-55,370
<i>Changes in the assets and liabilities of operating activities</i>				
Change in loans to the public		-8,016,552	-2,603,319	-12,466,089
Change in liabilities to credit institutions		-586,710	-2,398,689	-2,697,220
Change in deposits from the public		5,148,133	11,399,320	18,562,508
Change in other assets and liabilities		-6,637,142	-3,424,247	4,934,236
Cash flow from operating activities¹		-10,745,209	2,686,577	7,584,612
Investing activities				
Investments in intangible assets		-323,061	-184,771	-410,761
Investments in tangible assets		-69,238	-61,062	-63,921
Sales of fixed assets		8	435	3,723
Investments in business combinations		-	-13,652	-141,943
Investments in other shares and participations		-1,088,050	-71,951	-
Divestments in other shares and participations		-	-	142,106
Cash flow from investing activities		-1,480,341	-331,001	-470,796
Financing activities				
New share issue		13,000,249	-	117
Group contribution received		-	44,200	44,200
Debt securities issued	9	1,236,145	-850,786	-1,458,368
Subordinated liabilities		-300,791	-	-
Payment of principle portion of lease contracts		-127,325	-62,797	-137,368
Cash flow from financing activities		13,808,278	-869,383	-1,551,419
Cash flow for the period		1,582,728	1,486,193	5,562,397
Cash and cash equivalents at the beginning of the year		6,914,466	1,618,008	1,618,008
Cash flow for the period		1,582,728	1,486,193	5,562,397
Exchange rate diff. in cash and cash equivalents		64,528	13,783	-265,939
Cash and cash equivalents at the end of the period		8,561,722	3,117,984	6,914,466
Cash and cash equivalents include the following items				
Cash and balances with central banks		6,393,103	1,922,110	5,014,210
Loans to credit institutions ²		2,168,619	1,195,874	1,900,256
Cash and cash equivalents		8,561,722	3,117,984	6,914,466

¹ Cash flow from operating activities includes interest payments received and interest expenses paid.

² Adjusted for non-cash items such as money in transfer.

**Parent
company
financials.**

Income Statement, Parent Company

Amounts in SEKk	Note	Jan - Jun 2021	Jan - Jun 2020	Jan - Dec 2020
Interest income	4	1,926,909	1,595,190	3,284,326
Interest expenses	5	-402,235	-276,884	-603,751
Net interest income		1,524,674	1,318,306	2,680,575
Commission income	6	3,891,994	2,669,603	5,883,500
Commission expenses ¹		-917,130	-575,138	-1,309,092
Net result from financial transactions		-170,222	-21,891	20,161
Other operating income		812,930	243,457	1,146,215
Total net operating income		5,142,246	3,634,337	8,421,359
General administrative expenses ¹		-4,887,497	-2,826,421	-6,703,922
Depreciation, amortization and impairment of intangible and tangible assets		-282,177	-152,545	-330,021
Other operating costs		-334,413	-360,587	-742,987
Total operating expenses before credit losses		-5,504,087	-3,339,553	-7,776,930
Operating result before credit losses, net		-361,841	294,784	644,429
Credit losses, net	7	-1,137,281	-1,115,297	-2,004,786
Impairment of financial assets		-	-	-13,836
Operating result		-1,499,122	-820,513	-1,374,193
Appropriations		-	-	-
Income tax		250,006	180,346	200,659
Net result for the period		-1,249,116	-640,167	-1,173,534

¹The presentation of Commission expenses and General administrative expenses has been changed and restated for 2020. For more information, see Annual Report 2020 note 2, section 2.

Statement of Comprehensive Income, Parent Company

Amounts in SEKk	Jan - Jun 2021	Jan - Jun 2020	Jan - Dec 2020
Net result for the period	-1,249,116	-640,167	-1,173,534
Items that may be reclassified subsequently to the income statement:			
Exchange differences, foreign operations	2,084	-2,588	-4,098
Taxes on exchange differences, foreign operations	1,695	-	-
Other comprehensive income for the period, net after tax	3,779	-2,588	-4,098
Total comprehensive income for the period	-1,245,337	-642,755	-1,177,632

Balance Sheet, Parent Company

Amounts in SEkk	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
Assets				
Cash and balances with central banks		6,393,099	5,014,203	1,922,107
Treasury bills chargeable at central banks, etc.		8,873,640	5,219,426	5,301,093
Loans to credit institutions		1,253,292	1,722,857	889,729
Loans to the public	8	49,781,353	41,652,583	32,888,522
Bonds and other interest-bearing securities		1,304,010	1,609,770	2,081,274
Shares and participations in group companies		2,772,916	3,351,308	1,344,484
Other shares and participations		969,029	20,081	135,687
Intangible assets		1,367,493	771,505	638,498
Tangible assets		1,181,182	804,880	819,130
Deferred tax assets		728,195	486,327	433,902
Other assets		295,518	1,390,037	575,328
Prepaid expenses and accrued income		327,908	226,943	189,716
Total assets		75,247,635	62,269,920	47,219,470
Liabilities				
Liabilities to credit institutions		1,828,187	2,386,007	2,540,835
Deposits from the public		35,812,932	30,681,663	23,595,917
Debt securities issued	9	5,250,744	3,997,212	4,577,395
Deferred tax liabilities		42,248	119	-
Other liabilities	10	12,434,389	16,701,696	9,393,131
Accrued expenses and prepaid income		1,487,748	1,305,763	908,002
Provisions		136,140	141,514	133,133
Subordinated liabilities		300,824	599,120	598,993
Total liabilities		57,293,212	55,813,094	41,747,406
Untaxed reserves		2,213	2,213	2,213
Equity				
Share capital		58,369	52,869	52,752
Reserve for development costs		873,619	650,264	509,859
Share premium reserve		12,994,749	-	-
Other reserves		64	-3,715	-2,205
Additional Tier 1 instruments		250,000	250,000	250,000
Retained earnings		5,024,525	6,678,729	5,299,612
Net result for the period		-1,249,116	-1,173,534	-640,167
Total equity		17,952,210	6,454,613	5,469,851
Total liabilities and equity		75,247,635	62,269,920	47,219,470

Statement of Changes in Equity, Parent Company

Amounts in SEKk	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2021	52,869	650,264	-	-3,715	250,000	6,678,729	-1,173,534	6,454,613
Transfer of previous year's net result	-	-	-	-	-	-1,173,534	1,173,534	-
<i>Net result for the period</i>	-	-	-	-	-	-	-1,249,116	-1,249,116
<i>Other comprehensive income, net after tax</i>	-	-	-	3,779	-	-	-	3,779
Total comprehensive income for the period	-	-	-	3,779	-	-	-1,249,116	-1,245,337
New share issue	5,500	-	12,994,749	-	-	-	-	13,000,249
Reserve for development costs	-	223,355	-	-	-	-223,355	-	-
Merger result ¹	-	-	-	-	-	-269,019	-	-269,019
Restricted stock units ²	-	-	-	-	-	18,853	-	18,853
Additional Tier 1 instruments ³	-	-	-	-	-	-7,148	-	-7,148
Balance as at June 30, 2021	58,369	873,619	12,994,749	64	250,000	5,024,525	-1,249,116	17,952,210

Amounts in SEKk	Restricted equity		Non-restricted equity					Total equity
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	
Balance as at January 1, 2020	52,752	390,209	-	383	250,000	5,079,662	-738,119	5,034,887
Transfer of previous year's net result	-	-	-	-	-	-738,119	738,119	-
<i>Net result for the period</i>	-	-	-	-	-	-	-640,167	-640,167
<i>Other comprehensive income, net after tax</i>	-	-	-	-2,588	-	-	-	-2,588
Total comprehensive income for the period	-	-	-	-2,588	-	-	-640,167	-642,755
Shareholders' contribution ⁴	-	-	-	-	-	1,000,000	-	1,000,000
Reserve for development costs	-	119,650	-	-	-	-119,650	-	-
Merger result ⁵	-	-	-	-	-	85,123	-	85,123
Additional Tier 1 instruments ³	-	-	-	-	-	-7,404	-	-7,404
Balance as at June 30, 2020	52,752	509,859	-	-2,205	250,000	5,299,612	-640,167	5,469,851

¹ Merger result from the transfer of the wholly-owned subsidiary BillPay GmbH's business into Klarna Bank AB (publ) and its German branch. For more information, see note 16.

² Klarna's Restricted Stock Unit Program for employees, implemented in 2020.

³ 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.

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

⁵ Merger result from the transfer of the wholly-owned subsidiary Klarna GmbH's business into Klarna Bank AB (publ) and its German branch.

Amounts in SEKk	Restricted equity		Non-restricted equity					
	Share capital	Reserve for development costs	Share premium reserve	Other reserves	Additional Tier 1 instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2020	52,752	390,209	-	383	250,000	5,079,662	-738,119	5,034,887
Transfer of previous year's net result	-	-	-	-	-	-738,119	738,119	-
<i>Net result for the year</i>	-	-	-	-	-	-	-1,173,534	-1,173,534
<i>Other comprehensive income, net after tax</i>	-	-	-	-4,098	-	-	-	-4,098
Total comprehensive income for the year	-	-	-	-4,098	-	-	-1,173,534	-1,177,632
New share issue	117	-	-	-	-	-	-	117
Shareholders' contribution ¹	-	-	-	-	-	2,500,040	-	2,500,040
Reserve for development costs	-	260,055	-	-	-	-260,055	-	-
Merger result ²	-	-	-	-	-	85,124	-	85,124
Restricted stock units ³	-	-	-	-	-	26,959	-	26,959
Additional Tier 1 instruments ⁴	-	-	-	-	-	-14,882	-	-14,882
Balance as at December 31, 2020	52,869	650,264	-	-3,715	250,000	6,678,729	-1,173,534	6,454,613

¹ Shareholders' contribution from parent company Klarna Holding AB (publ) partly through conversion of loans between Klarna Bank AB (publ) and Klarna Holding AB (publ).

² Merger result from the transfer of the wholly-owned subsidiary Klarna GmbH's business into Klarna Bank AB (publ) and its German branch.

³ Klarna's Restricted Stock Unit Program for employees, implemented in 2020.

⁴ 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.

Share capital: 173,717 shares (157,348), quota value 336 (336).

Cash Flow Statement, Parent Company

Amounts in SEkk	Note	Jan - Jun 2021	Jan - Jun 2020	Jan - Dec 2020
Operating activities				
Operating result		-1,499,122	-820,513	-1,374,193
Taxes paid		-	-11,349	-
<i>Adjustments for non-cash items in operating activities</i>				
Depreciation, amortization and impairment		282,177	152,545	330,021
Impairment of shares in group companies		-	-	13,836
Provisions excluding credit losses		915	903	1,812
Provision for credit losses		420,346	416,127	582,155
Profit from merger		-3,465	-12,820	-12,820
Share-based payments		18,853	-	26,959
Financial items including unrealized exchange rate effects		157,728	-3,917	-8,922
<i>Changes in the assets and liabilities of operating activities</i>				
Change in loans to the public		-7,822,101	-2,839,194	-9,862,877
Change in liabilities to credit institutions		-557,820	-2,398,689	-2,698,740
Change in deposits from the public		5,077,987	11,343,502	18,429,498
Change in other assets and liabilities		-7,293,468	-3,155,270	3,808,189
Cash flow from operating activities¹		-11,217,970	2,671,325	9,234,918
Investing activities				
Investments in intangible assets		-323,061	-184,771	-410,761
Investments in tangible assets		-67,286	-9,308	-1,658
Sales of fixed assets		8	269	264
Investments in subsidiaries		-243,573	-	-1,265,002
Investments in business combinations		-	-13,652	-769,154
Investments in other shares and participations		-1,088,049	-71,951	-
Divestments in other shares and participations		-	-	142,106
Cash flow from investing activities		-1,721,961	-279,413	-2,304,205
Financing activities				
New share issue		13,000,249	-	117
Group contribution received		-	44,200	44,200
Debt securities issued	9	1,232,673	-992,862	-1,597,662
Subordinated liabilities		-300,791	-	-
Payment of principle portion of lease contracts		-106,561	-35,028	-73,370
Cash flow from financing activities		13,825,570	-983,690	-1,626,715
Cash flow for the period		885,639	1,408,222	5,303,998
Cash and cash equivalents at the beginning of the year				
Cash flow for the period		885,639	1,408,222	5,303,998
Cash and cash equivalents from merger		368,783	943	943
Exchange rate diff. in cash and cash equivalents		43,438	4,924	-218,188
Cash and cash equivalents at the end of the period		7,333,992	2,363,468	6,036,132
Cash and cash equivalents include the following items				
Cash and balances with central banks		6,393,099	1,922,107	5,014,203
Loans to credit institutions ²		940,893	441,361	1,021,929
Cash and cash equivalents		7,333,992	2,363,468	6,036,132

¹ Cash flow from operating activities includes interest payments received and interest expenses paid.

² 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 financial interim report per June 30, 2021 consists of the Parent Company (including branches in the United Kingdom and Germany) 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 and valuation principles

Basis for the preparation of the reports

Group

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The financial statements for the Group 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 recommendation RFR 1 Supplementary Accounting Rules for Groups.

Parent Company

The financial statements for the Parent Company have 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 recommendation RFR 2 Accounting for Legal Entities.

The accounting principles and calculation methods applied in this report should be read in conjunction, and are identical, with the Annual Report for 2020, except for the changed accounting principles described 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 have come into effect during the period that have any significant impact on the Group.

New and changed standards and interpretations which have not yet come into effect and which have not been applied in advance by the Group

No changes in IFRS or IFRIC interpretations that have not yet come into effect are expected to have 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 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

We 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.

Our CODM is our Chief Executive Officer (CEO), who reviews our operating results on a consolidated basis. Klarna operates as one segment and has one reportable segment. Based on the information provided to and reviewed by the CODM, we believe that the nature, amount, timing, and uncertainty of our income and cash flows and how they are affected by economic factors are most appropriately depicted through our 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. Items not fully allocated to the the operating result are shown separately as reconciling items.

Group	Jan - Jun 2021	Jan - Jun 2020 ¹
Geographical breakdown		
- Germany	2,544,737	1,590,113
- Sweden	1,459,124	1,313,295
- Other countries ²	3,343,189	2,116,987
Total Revenue	7,347,050	5,020,395
Income category		
- Retailer income	3,974,057	2,459,799
- Consumer income	3,134,408	2,429,468
- Other income ³	238,585	131,128
Total Revenue	7,347,050	5,020,395
Non-current assets		
- Germany	1,869,933	2,130,091
- Sweden	2,000,479	1,023,291
- Other countries ²	134,394	138,794
Total non-current assets	4,004,806	3,292,176

¹ Revenue and gross profit figures for 2020 have been updated due to changes in the internal reporting.

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

³ "Other income" includes marketing income, Klarna card interchange income and other income (e.g. Ideal fees).

Certain revenues and costs are not allocated to the total revenue measurement as they are managed on an overall group basis. The reconciliation between total revenue to the Group's income statement is as follows:

Reconciliation between revenue and income statement	Jan - Jun 2021	Jan - Jun 2020 ¹
Total revenue	7,347,050	5,020,395
Interest income from central activities	27,382	45,772
Interest expenses	-380,904	-278,018
Other commissions	-466,277	-243,819
Net result from financial transactions	-181,787	-26,470
Total net operating income	6,345,464	4,517,860

¹ Figures for 2020 have been updated due to changes in the internal financial reporting.

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

Parent Company				
Jan - Jun 2021	Sweden	Germany	Other¹	Total
Interest income	718,526	531,215	677,168	1,926,909
Commission income	724,245	1,571,060	1,596,689	3,891,994
Net result from financial transactions	915,380	261,225	-1,346,827	-170,222
Other operating income	15,478	754,598	42,854	812,930
Total	2,373,629	3,118,098	969,884	6,461,611

Jan - Jun 2020	Sweden	Germany	Other¹	Total
Interest income	731,653	339,829	523,708	1,595,190
Commission income	653,235	796,640	1,219,728	2,669,603
Net result from financial transactions	334,253	-157,696	-198,448	-21,891
Other operating income	237,490	3,588	2,379	243,457
Total	1,956,631	982,361	1,547,367	4,486,359

¹ "Other" mainly includes the countries Austria, Belgium, Denmark, Finland, the Netherlands, Norway, Switzerland, the United Kingdom and the United States.

Parent Company		
External customer revenue split by income categories	Jan - Jun 2021	Jan - Jun 2020
Retailer	2,958,212	1,586,333
Consumer	2,765,227	2,380,341
Total	5,723,439	3,966,674

Note 4 Interest income

	Group		Parent Company	
	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2021	Jan - Jun 2020
Loans to credit institutions	698	2,428	352	990
Loans to the public	1,853,493	1,545,702	1,852,972	1,550,894
Other interest income	26,683	43,343	73,585	43,306
Total	1,880,874	1,591,473	1,926,909	1,595,190

All interest income is calculated using the effective interest rate method.

Note 5 Interest expenses

	Group		Parent Company	
	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2021	Jan - Jun 2020
Interest-bearing securities and chargeable treasury bills etc.	-47,158	-37,972	-47,158	-37,972
Liabilities to credit institutions	-30,010	-21,543	-29,878	-21,166
Deposits from the public	-173,271	-113,689	-173,271	-113,689
Debt securities issued	-23,220	-34,656	-23,220	-34,656
Subordinated liabilities	-13,686	-13,171	-13,686	-13,171
Group companies	-78,488	-38,731	-101,108	-38,731
Other interest expenses	-15,071	-18,256	-13,914	-17,499
Total	-380,904	-278,018	-402,235	-276,884

All interest expenses are calculated using the effective interest rate method.

Note 6 Commission income

Group		
Commission income split by product category	Jan - Jun 2021	Jan - Jun 2020
Retailer	3,973,533	2,423,748
Consumer ¹	1,156,438	919,807
Other	25,839	78,134
Total	5,155,810	3,421,689

¹ Consumer commission income includes decrease in revenue from Klarna loyalty program in amount SEK 125,001k (11k).

Parent Company		
Commission income split by product category	Jan - Jun 2021	Jan - Jun 2020
Retailer	2,958,032	1,792,283
Consumer	912,357	863,902
Other	21,605	13,418
Total	3,891,994	2,669,603

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

Note 7 Credit losses, net

Loan losses divided by class	Group		Parent Company	
	Jan - Jun 2021	Jan - Jun 2020	Jan - Jun 2021	Jan - Jun 2020
Loans to credit institutions				
Increase in provisions	-124	-69	-107	-65
Reversal of previous provisions	850	98	850	98
Total	726	29	743	33
Loans to the public				
Realized loan losses	-1,523,609	-1,367,711	-1,059,671	-1,106,897
Release in provisions to cover realized loan losses	1,013,050	970,289	577,419	963,066
Recoveries on previous realized loan losses	342,736	409,584	342,736	407,726
Increase in provisions	-5,198,086	-2,501,876	-3,965,846	-2,377,151
Reversal of previous provisions	3,508,076	1,341,429	2,960,478	1,046,030
Total	-1,857,833	-1,148,285	-1,144,884	-1,067,226
Financial guarantees and commitments				
Increase in provisions	-30,080	-48,157	-29,812	-49,735
Reversal of previous provisions	38,391	1,950	36,672	1,631
Total	8,311	-46,207	6,860	-48,104
Total credit losses, net	-1,848,796	-1,194,463	-1,137,281	-1,115,297

Note 8 Loans to the public

	Group		Parent Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Loans to the public ¹	51,829,634	43,733,235	51,947,789	43,286,011
Allowance for credit losses	-2,772,452	-2,015,644	-2,166,436	-1,633,428
Total	49,057,182	41,717,591	49,781,353	41,652,583

¹ Parent Company loans to the public include a loan measured at fair value through profit or loss in amount SEK 141,982k (139,226k).

For the fair value amounts, see note 12.

Note 9 Debt securities issued

	Group		Parent Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Senior unsecured bonds	3,402,250	2,301,006	3,402,250	2,301,006
Commercial papers	1,848,494	1,696,206	1,848,494	1,696,206
Other bonds	188,983	185,511	-	-
Total	5,439,727	4,182,723	5,250,744	3,997,212

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 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.

During the first half of 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 12.

Note 10 Other liabilities

	Group		Parent Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Accounts payable	259,522	237,993	179,010	147,661
Personnel related taxes	67,190	106,057	57,465	93,936
Liabilities to group companies	3,968,566	7,987,182	5,319,126	10,054,980
Current tax liabilities	109,916	77,432	49,594	42,704
Liabilities to retailers	5,918,017	5,650,051	5,610,289	5,157,873
Derivatives	126,679	418,336	126,679	418,336
Lease liabilities	1,057,255	763,141	912,891	588,863
Other liabilities	1,013,761	556,819	179,335	197,343
Total	12,520,906	15,797,011	12,434,389	16,701,696

Klarna Bank AB (publ) has received a line of credit from its parent company Klarna Holding AB (publ). The credit liability amounted to SEK 3,923,226k (7,842,976k) as of June 30, 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 12.

Note 11 Pledged assets and contingent liabilities

	Group		Parent Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Pledged assets				
<i>Assets pledged for own liabilities</i>				
Pledged loans to the public and credit institutions	187,239	9,248,248	187,239	9,080,933
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	1,170,873	1,714,570	1,170,873	1,714,570
<i>Other pledged assets</i>	26,867	25,812	-	-
Total	1,384,979	10,988,630	1,358,112	10,795,503
Contingent liabilities and commitments				
<i>Contingent liabilities</i>				
Guarantees	40,260	40,327	40,260	40,327
<i>Commitments</i>	19,602,438	16,396,546	22,804,310	17,099,677
Total	19,642,698	16,436,873	22,844,570	17,140,004

Treasury bills chargeable at central banks, etc., and bonds and other interest-bearing securities pledged for own liabilities contain securities pledged as collateral in repurchase agreements. Associated liabilities amounted to SEK 1,170,825k (1,714,572k) as at June 30, 2021.

Commitments which contain undrawn part of irrevocable consumer credit line amounted to SEK 14,400,682k (10,780,554k) and commitment to refund consumers in case of returns to a defaulted retailer amounted to SEK 5,201,756k (5,615,992k) as at June 30, 2021.

Note 12 Financial assets and liabilities at fair value

Group	30 Jun 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	6,393,103	6,393,103	-	5,014,210	5,014,210	-
Treasury bills chargeable at central banks, etc.	8,874,366	8,873,640	726	5,231,819	5,219,426	12,393
Loans to credit institutions	2,512,144	2,512,144	-	2,614,447	2,614,447	-
Loans to the public	49,057,182	49,057,182	-	41,717,591	41,717,591	-
Bonds and other interest-bearing securities	1,307,402	1,304,010	3,392	1,617,383	1,609,770	7,613
Other shares and participations	969,029	969,029	-	20,081	20,081	-
Other assets	74,566	74,566	-	65,169	65,169	-
Other assets (Currency forwards)	49,951	49,951	-	341,203	341,203	-
Prepaid expenses and accrued income	210,867	210,867	-	157,882	157,882	-
Total	69,448,610	69,444,492	4,118	56,779,785	56,759,779	20,006

Group	30 Jun 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	1,838,520	1,828,187	10,333	2,413,280	2,414,897	-1,617
Deposits from the public	36,277,881	35,982,810	295,071	30,931,098	30,834,677	96,421
Debt securities issued	5,443,721	5,439,727	3,994	4,186,765	4,182,723	4,042
Other liabilities	12,171,631	12,171,631	-	15,091,523	15,091,523	-
Other liabilities (Currency forwards)	126,679	126,679	-	418,336	418,336	-
Accrued expenses and prepaid income	1,703,478	1,703,478	-	1,359,640	1,359,640	-
Subordinated liabilities	306,333	300,824	5,509	605,457	599,120	6,337
Total	57,868,243	57,553,336	314,907	55,006,099	54,900,916	105,183

Parent Company	30 Jun 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	6,393,099	6,393,099	-	5,014,203	5,014,203	-
Treasury bills chargeable at central banks, etc.	8,874,366	8,873,640	726	5,231,819	5,219,426	12,393
Loans to credit institutions	1,253,292	1,253,292	-	1,722,857	1,722,857	-
Loans to the public	49,781,353	49,781,353	-	41,652,583	41,652,583	-
Bonds and other interest-bearing securities	1,307,402	1,304,010	3,392	1,617,383	1,609,770	7,613
Other shares and participations	969,029	969,029	-	20,081	20,081	-
Other assets	142,539	142,539	-	988,375	988,375	-
Other assets (Currency forwards)	49,951	49,951	-	341,203	341,203	-
Prepaid expenses and accrued income	97,417	97,417	-	137,696	137,696	-
Total	68,868,448	68,864,330	4,118	56,726,200	56,706,194	20,006

Parent Company	30 Jun 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities						
Liabilities to credit institutions	1,838,520	1,828,187	10,333	2,384,390	2,386,007	-1,617
Deposits from the public	36,108,003	35,812,932	295,071	30,778,084	30,681,663	96,421
Debt securities issued	5,254,738	5,250,744	3,994	4,001,254	3,997,212	4,042
Other liabilities	12,160,744	12,160,744	-	16,045,345	16,045,345	-
Other liabilities (Currency forwards)	126,679	126,679	-	418,336	418,336	-
Accrued expenses and prepaid income	1,429,046	1,429,046	-	1,244,507	1,244,507	-
Subordinated liabilities	306,333	300,824	5,509	605,457	599,120	6,337
Total	57,224,063	56,909,156	314,907	55,477,373	55,372,190	105,183

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 on liabilities in terms of issued debt securities and subordinated liabilities have been determined with regards to observable market prices from external markets when possible. If no observable market prices are available, the fair value is calculated based on commonly accepted valuation techniques.

Note 13 Classification of financial assets and liabilities into valuation categories

Group	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
30 Jun 2021				
Assets				
Cash and balances with central banks	-	6,393,103	-	6,393,103
Treasury bills chargeable at central banks, etc.	-	8,873,640	-	8,873,640
Loans to credit institutions	-	2,512,144	-	2,512,144
Loans to the public	-	49,057,182	-	49,057,182
Bonds and other interest-bearing securities	-	1,304,010	-	1,304,010
Other shares and participations	969,029	-	-	969,029
Intangible assets	-	-	2,656,479	2,656,479
Tangible assets	-	-	1,348,327	1,348,327
Deferred tax assets	-	-	1,102,471	1,102,471
Other assets	49,951	74,566	1,205,925	1,330,442
Prepaid expenses and accrued income	-	210,867	255,093	465,960
Total	1,018,980	68,425,512	6,568,295	76,012,787

Group	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
30 Jun 2021				
Liabilities				
Liabilities to credit institutions	-	1,828,187	-	1,828,187
Deposits from the public	-	35,982,810	-	35,982,810
Debt securities issued	188,983	5,250,744	-	5,439,727
Deferred tax liabilities	-	-	58,022	58,022
Other liabilities	126,679	12,171,631	222,596	12,520,906
Accrued expenses and prepaid income	-	1,703,478	60,316	1,763,794
Provisions	-	-	137,541	137,541
Subordinated liabilities	-	300,824	-	300,824
Total	315,662	57,237,674	478,475	58,031,811

Group				
31 Dec 2020	Fair value through profit or loss	Amortized cost	Non-financial assets	Total
Assets				
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
Total	361,284	56,398,495	5,035,475	61,795,254

Group				
31 Dec 2020	Fair value through profit or loss	Amortized cost	Non-financial liabilities	Total
Liabilities				
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
Total	603,847	54,297,069	570,375	55,471,291

Parent Company			Non-financial assets and shares and participations in group companies	
30 Jun 2021	Fair value through profit or loss	Amortized cost		Total
Assets				
Cash and balances with central banks	-	6,393,099	-	6,393,099
Treasury bills chargeable at central banks, etc.	-	8,873,640	-	8,873,640
Loans to credit institutions	-	1,253,292	-	1,253,292
Loans to the public	141,982	49,639,371	-	49,781,353
Bonds and other interest-bearing securities	-	1,304,010	-	1,304,010
Shares and participations in group companies	-	-	2,772,916	2,772,916
Other shares and participations	969,029	-	-	969,029
Intangible assets	-	-	1,367,493	1,367,493
Tangible assets	-	-	1,181,182	1,181,182
Deferred tax assets	-	-	728,195	728,195
Other assets	49,951	142,539	103,028	295,518
Prepaid expenses and accrued income	-	97,417	230,491	327,908
Total	1,160,962	67,703,368	6,383,305	75,247,635

Parent Company			Non-financial liabilities	
30 Jun 2021	Fair value through profit or loss	Amortized cost		Total
Liabilities				
Liabilities to credit institutions	-	1,828,187	-	1,828,187
Deposits from the public	-	35,812,932	-	35,812,932
Debt securities issued	-	5,250,744	-	5,250,744
Deferred tax liabilities	-	-	42,248	42,248
Other liabilities	126,679	12,160,744	146,966	12,434,389
Accrued expenses and prepaid income	-	1,429,046	58,702	1,487,748
Provisions	-	-	136,140	136,140
Subordinated liabilities	-	300,824	-	300,824
Total	126,679	56,782,477	384,056	57,293,212

Parent Company		Non-financial assets and shares and participations in group companies		
31 Dec 2020	Fair value through profit or loss	Amortized cost		Total
Assets				
Cash and balances with central banks	-	5,014,203	-	5,014,203
Treasury bills chargeable at central banks, etc.	-	5,219,426	-	5,219,426
Loans to credit institutions	-	1,722,857	-	1,722,857
Loans to the public	139,226	41,513,357	-	41,652,583
Bonds and other interest-bearing securities	-	1,609,770	-	1,609,770
Shares and participations in group companies	-	-	3,351,308	3,351,308
Other shares and participations	20,081	-	-	20,081
Intangible assets	-	-	771,505	771,505
Tangible assets	-	-	804,880	804,880
Deferred tax assets	-	-	486,327	486,327
Other assets	341,203	988,375	60,459	1,390,037
Prepaid expenses and accrued income	-	137,696	89,247	226,943
Total	500,510	56,205,684	5,563,726	62,269,920

Parent Company		Non-financial liabilities		
31 Dec 2020	Fair value through profit or loss	Amortized cost		Total
Liabilities				
Liabilities to credit institutions	-	2,386,007	-	2,386,007
Deposits from the public	-	30,681,663	-	30,681,663
Debt securities issued	-	3,997,212	-	3,997,212
Deferred tax liabilities	-	-	119	119
Other liabilities	418,336	16,045,345	238,015	16,701,696
Accrued expenses and prepaid income	-	1,244,507	61,256	1,305,763
Provisions	-	-	141,514	141,514
Subordinated liabilities	-	599,120	-	599,120
Total	418,336	54,953,854	440,904	55,813,094

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 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 items in other shares and participations and for certain items in debt securities issued and loans to the public.

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 the period.

Group				
30 Jun 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Other shares and participations	863,927	-	105,102	969,029
Other assets (Currency forwards)	-	49,951	-	49,951
Total	863,927	49,951	105,102	1,018,980
Financial liabilities				
Debt securities issued	-	-	188,983	188,983
Other liabilities (Currency forwards)	-	126,679	-	126,679
Total	-	126,679	188,983	315,662

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

Parent Company				
30 Jun 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	141,982	141,982
Other shares and participations	863,927	-	105,102	969,029
Other assets (Currency forwards)	-	49,951	-	49,951
Total	863,927	49,951	247,084	1,160,962
Financial liabilities				
Other liabilities (Currency forwards)	-	126,679	-	126,679
Total	-	126,679	-	126,679

Parent Company				
31 Dec 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Loans to the public	-	-	139,226	139,226
Other shares and participations	-	-	20,081	20,081
Other assets (Currency forwards)	-	341,203	-	341,203
Total	-	341,203	159,307	500,510
Financial liabilities				
Other liabilities (Currency forwards)	-	418,336	-	418,336
Total	-	418,336	-	418,336

Movements in Level 3

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

Group	Financial assets	Financial liabilities
	Other shares and participations	Debt securities issued²
Balance as at January 1, 2021	20,081	185,511
Gain/loss in income statement ¹	-	-1,391
of which: unrealized gain/loss	-	-1,391
Purchases	83,367	-
Impact of foreign exchange movements	1,654	4,863
Balance as at June 30, 2021	105,102	188,983

Group	Financial assets	Financial liabilities
	Other shares and participations	Debt securities issued²
Balance as at January 1, 2020	20,081	-
Gain/loss in income statement ¹	-	-1,749
of which: unrealized gain/loss	-	-1,749
Issuances	-	188,057
Impact of foreign exchange movements	-	-797
Balance as at December 31, 2020	20,081	185,511

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

² The value of debt securities issued has been established using evaluation models.

Parent Company	Financial assets	
	Other shares and participations	Loans to the public ²
Balance as at January 1, 2021	20,081	139,225
Gain/loss in income statement ¹	-	1,152
of which: unrealized gain/loss	-	1,152
Purchases	83,367	-
Impact of foreign exchange movements	1,654	1,605
Balance as at June 30, 2021	105,102	141,982

Parent Company	Financial assets	
	Other shares and participations	Loans to the public ²
Balance as at January 1, 2020	20,081	-
Gain/loss in income statement ¹	-	-1,210
of which: unrealized gain/loss	-	-1,210
Purchases	-	142,208
Impact of foreign exchange movements	-	-1,773
Balance as at December 31, 2020	20,081	139,225

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

² The value of loans to the public has been established using evaluation models.

Note 14 Information on related parties

Group and Parent Company

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

During the period, 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 15 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

Common Equity Tier 1 capital

During 2021, SEK 7.7bn 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 1b.

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 6.63% per annum. The floating interest rate is EURIBOR 3M plus 6.28% 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 have been recalled 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, which corresponds to an initial coupon of approximately 3%. The notes were allocated to a limited number of large Nordic investors and the first call date is July 5, 2023.

Consolidated situation and methods for calculating minimum requirements

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

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

The objective of the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (ICLAAP) is to ensure that Klarna clearly and correctly identifies, assesses and manages all risk to which it is exposed. The process considers the financial resources required to cover such risk, and to ensure that Klarna has access to sufficient capital and liquidity to support its business strategy over the coming planning horizon with regards to different market conditions. The main governing document for the ICLAAP is the ICLAAP policy. In this document, Klarna's board defines the responsibilities, processes and rules of the ICLAAP. The ICLAAP 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 30 June 2021 amounts to SEK 6,378m (5,552m) for Klarna Bank AB (publ) and SEK 6,019m (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 June 30, 2021, an amount of SEK 72m Additional Tier 1 capital and SEK 120m 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		Klarna Bank AB (publ)	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Own funds, total risk exposure amount and total leverage ratio exposure				
Common Equity Tier 1 capital	20,208,410	12,514,158	17,587,339	6,429,038
Tier 1 capital	20,536,988	12,978,002	17,837,339	6,679,038
Own funds	20,657,133	13,529,578	18,138,163	7,278,158
Total risk exposure amount	51,909,410	42,390,354	54,426,804	47,868,892
Total leverage ratio exposure	77,508,474	62,564,979	77,510,463	65,442,688
Capital adequacy analysis				
Common Equity Tier 1 capital ratio	38.9%	29.5%	32.3%	13.4%
Tier 1 capital ratio	39.6%	30.6%	32.8%	13.9%
Total capital ratio	39.8%	31.9%	33.3%	15.2%
Leverage ratio	26.5%	20.7%	23.0%	10.2%
Combined buffer requirement incl, the requirements of 575/2013 Art, 92(1)(a)	7.0%	7.0%	7.0%	7.0%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	0.0%	0.1%	0.0%	0.1%
Common Equity Tier 1 capital available to meet buffers	34.4%	24.8%	27.8%	8.7%
Exposure amounts for credit risk according to the standardized approach				
Credit risk including counterparty credit risk	76,018,391	60,876,486	76,268,157	63,340,973
of which: central governments or central banks	10,355,141	6,039,522	10,235,321	5,881,912
of which: regional governments or local authorities	2,954,636	2,238,974	2,954,636	2,238,974
of which: public sector entities	26,073	26,052	26,073	26,052
of which: multilateral development banks	2,105,245	2,140,206	2,105,245	2,140,206
of which: institutions	2,515,470	2,999,050	1,250,103	2,101,546
of which: corporates	5,109,811	4,101,853	7,424,274	8,144,030
of which: retail	45,463,752	38,419,101	42,957,512	35,294,967
of which: exposures in default	745,589	529,264	736,240	549,145
of which: covered bonds	1,304,010	1,609,770	1,304,010	1,609,770
of which: equity	969,029	20,081	3,741,945	3,385,226
of which: other items	4,469,635	2,752,613	3,532,798	1,969,145
Total exposure amount	76,018,391	60,876,486	76,268,157	63,340,973
Risk exposure amounts according to the standardized approach				
Credit risk including counterparty credit risk	47,809,118	38,019,317	49,243,229	41,891,483
of which: institutions	503,094	599,810	250,021	420,309
of which: corporates	5,034,248	4,014,407	7,362,584	8,070,733
of which: retail	34,097,814	28,814,326	32,218,134	26,471,225
of which: exposures in default	766,756	634,380	757,406	654,261
of which: covered bonds	130,401	160,977	130,401	160,977
of which: equity	1,126,680	50,203	3,899,597	3,415,347
of which: other items	6,150,125	3,745,214	4,625,086	2,698,631
Market risk	1,845,071	2,114,861	2,978,446	3,771,325
of which: foreign exchange risk	1,845,071	2,114,861	2,978,446	3,771,325
Operational risk	2,252,092	2,252,092	2,202,000	2,202,000
Credit valuation adjustments	3,129	4,084	3,129	4,084
Total risk exposure amount	51,909,410	42,390,354	54,426,804	47,868,892

	Consolidated situation		Klarna Bank AB (publ)	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Total minimum capital requirements				
Credit risk including counterparty credit risk	3,824,729	3,041,545	3,939,460	3,351,320
of which: institutions	40,248	47,985	20,002	33,625
of which: corporates	402,740	321,153	589,007	645,659
of which: retail	2,727,825	2,305,146	2,577,451	2,117,698
of which: exposures in default	61,340	50,750	60,593	52,341
of which: covered bonds	10,432	12,878	10,432	12,878
of which: equity	90,134	4,016	311,968	273,228
of which: other items	492,010	299,617	370,007	215,891
Market risk	147,606	169,189	238,276	301,705
of which: foreign exchange risk	147,606	169,189	238,276	301,705
Operational risk	180,167	180,167	176,160	176,159
Credit valuation adjustments	250	327	250	327
Total capital requirement	4,152,752	3,391,228	4,354,146	3,829,511
Own funds disclosure				
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts	24,854,232	14,892,742	20,358,298	7,358,049
Retained earnings	-1,355,269	-11,226	-2,280,656	-738,535
Accumulated other comprehensive income (and other reserves)	160,138	109,166	875,410	648,275
Common Equity Tier 1 capital before regulatory adjustments	23,659,101	14,990,682	18,953,052	7,267,789
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	-1,146	-780	-1,146	-780
Intangible assets (net of related tax liability)	-3,004,881	-1,915,967	-814,266	-308,829
Losses for the current financial year	-1,351,173	-1,266,487	-1,249,116	-1,061,451
IFRS 9 transitional adjustments to CET1 Capital	906,509	706,710	698,815	532,309
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-3,450,691	-2,476,524	-1,365,713	-838,751
Common Equity Tier 1 (CET1) capital	20,208,410	12,514,158	17,587,339	6,429,038
Additional Tier 1 (AT1) capital instruments				
Capital instruments and the related share premium accounts	256,372	256,372	250,000	250,000
of which: classified as equity under applicable accounting standards	256,372	256,372	250,000	250,000
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	72,206	207,472	-	-
Total Additional Tier 1 (AT1) capital instruments	328,578	463,844	250,000	250,000
Tier 1 capital	20,536,988	12,978,002	17,837,339	6,679,038
Tier 2 (T2) capital instruments				
Capital instruments and the related share premium accounts	-	-	300,824	599,120
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third party	120,145	551,576	-	-
Total Tier 2 (T2) capital instruments	120,145	551,576	300,824	599,120
Own funds	20,657,133	13,529,578	18,138,163	7,278,158

Note 16 Merger

On June 1, 2021, a cross border merger between BillPay GmbH (Corp. ID HRB122029B) and Klarna Bank AB (publ) was carried out. BillPay GmbH was merged into Klarna Bank AB (publ), which is present in Germany through its German branch.

Total net operating income and operating result amounting to SEK 87,674k, respectively SEK -7,921k for the period before the merger is included in Klarna Bank AB's (publ) income statement. Net operating income and operating result, from intercompany transactions between BillPay GmbH and Klarna Bank AB (publ) before the merger, amounting to SEK 14,517k respectively SEK -44,564k have not been included in Klarna Bank AB's (publ) income statement. The valuation of transferred assets and liabilities have been performed in accordance with the applied accounting principles in Klarna Bank AB (publ).

Balance sheet summary in SEKk	June 1, 2021
Loans to credit institutions	371,642
Loans to the public	683,784
Intangible assets	190,890
Goodwill	89,934
All other assets	8,392
Total assets	1,344,642
Equity	500,488
Other liabilities	844,154
Total equity and liabilities	1,344,642

Note 17 Significant events after the end of the reporting period

Since the balance sheet date the Group has made 3 acquisitions.

HERO, acquired in July 2021, provides retailers with the ability to make their in-store team online brand ambassadors through video and chat, helping consumers with live product selection, information and advice while bringing the benefits of in-store shopping to the online space and supercharging their e-commerce sales. The acquisition price was USD 165m (SEK 1,409m).

Stocard was acquired in July 2021 for EUR 109m (SEK 1,114m). Stocard provides a mobile wallet to its 60 million customers, which enables users to bundle customer loyalty cards in the Stocard app, with discounts also included.

The Group also acquired, during July 2021, a company in the shopping technology space for SEK 204m.

CEO's affirmation

The CEO certifies that this interim report provides a fair overview of the Parent Company's and the Group's operations, their financial position and results, and describes material risks and uncertainties that the Parent Company and other companies in the Group are facing.

Stockholm, August 23, 2021

Sebastian Siemiatkowski
CEO

Further information

For more information, visit the Company website at 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 August 25, 2021 at 08:00 a.m. CET.

Review report

Klarna Bank AB, corporate identity number 556737-0431

Introduction

We have reviewed the condensed interim report for Klarna Bank AB as at June 30, 2021 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies regarding the Group, and in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies regarding the Parent Company.

Stockholm, 23 August 2021

Ernst & Young AB

Jesper Nilsson

Authorized Public Accountant

Definitions and Abbreviations

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, company or governmental entity using our services.

Cost/revenue ratio*

Total expenses before credit losses divided by total net operating income.

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 period.

Equity/assets ratio

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

Financing

Klarna's account product, formerly known as Slice it.

GMV

Gross Merchandise Value - value of products sold through Klarna platform.

Klarna Card

Volume: Total monetary value of sold products and services with Klarna 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.

Retailers

Klarna's e-commerce customers.

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. The cost on revenue ratio provides information on Klarna's cost efficiency. All these measures may not be directly comparable with similar key measures presented by other companies.

