

Klarna.

H123 Business update.

Second quarter results 2023.

Klarna achieves breakeven on adjusted basis in Q223.

Revenue

17% YoY

SEK 5.5bn Q223

Gross merchandise volume

14% YoY

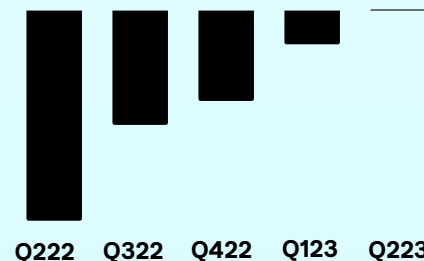
SEK 239bn Q223

Credit losses as a % of GMV

↓49%

improvement
Q223 YoY

Adjusted operating result¹



SEK 10m

Adjusted operating profit
in Q223

US: sustainable growth
and profitability.

**US delivers gross profit
for third consecutive quarter**

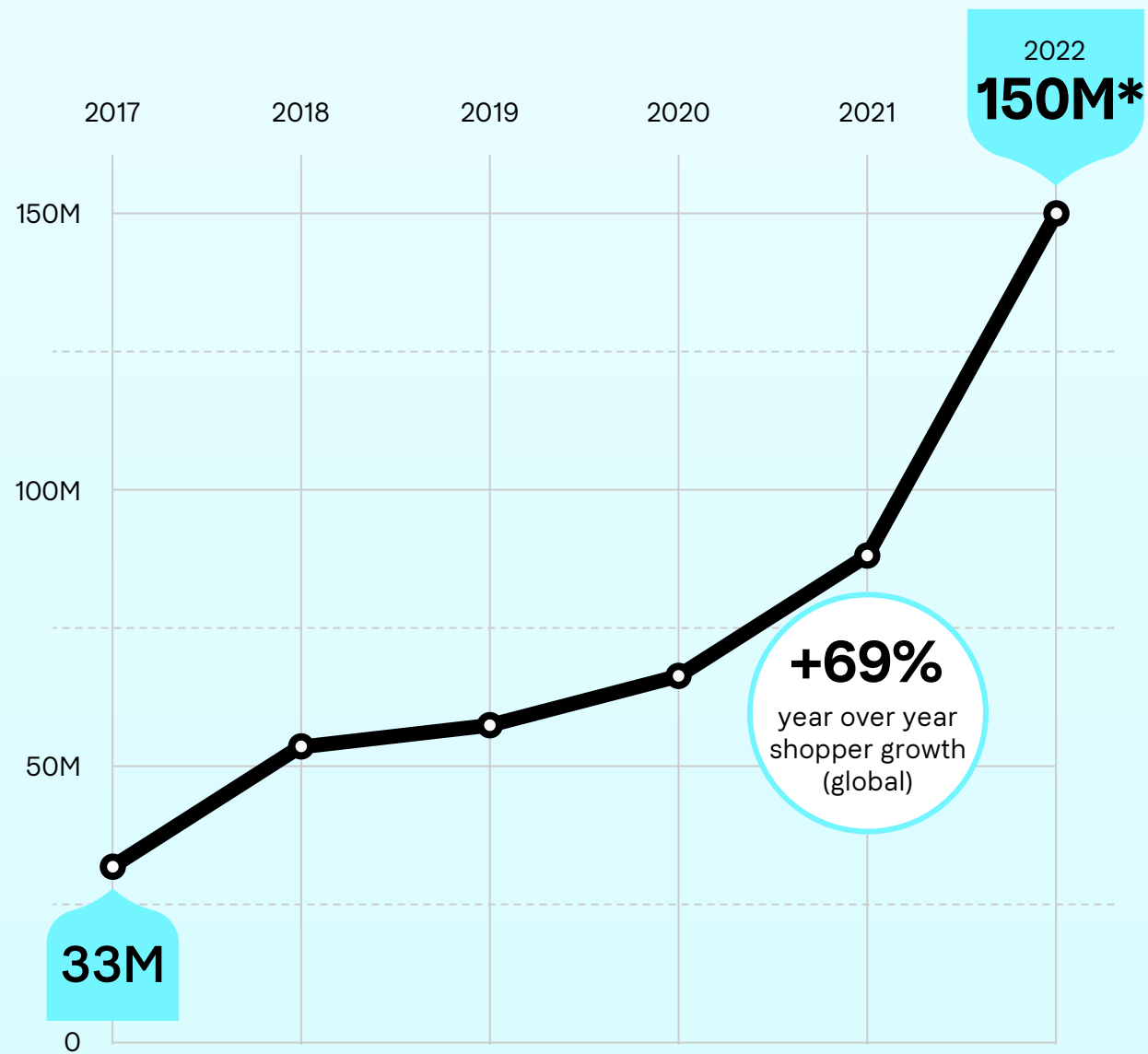
**US credit loss rates
improved**

↓64%

Q223 YoY

¹Adjusted operating Result excluding (a) Restructuring costs; (b) Share-based payments and related payroll taxes and; (c) Depreciation and amortization.

Serving the world's fastest growing community of shoppers.



*101M Klarna users + 48.4M consumers added through acquisitions.

A global network with massive scale.

500K+
retail partners
+38%/year

79K+
physical stores
+59%/year

2M+
TRXN/ day
+29%/year

\$83B
total volume
in 2022
22% year on
year growth

635M
clicks to
merchant sites
in 2022

\$1B
gross profit per
year in Europe

**Founded and founder-led since 2005.
Fully licensed bank since 2017.**

Backed by.

SEQUOIA

BESTSELLER

Commonwealth Bank

MUBADALA

SILVERLAKE

DRAGONEER
INVESTMENT GROUP

GIC

BlackRock

welcome trust

CPP Investments

atomico

Our business model keeps defying expectations.

Amounts in SEKbn	Q222	Q223
Revenue	4.7	5.5
Net interest expense	0.2	0.3
Credit losses	1.7	1.0
Adj. operating expense before credit losses	5.2	3.8
Adj. operating result	-2.9	SEK 10M

¹Adjusted operating Result excluding (a) Restructuring costs; (b) Share-based payments and related payroll taxes and; (c) Depreciation and amortization.

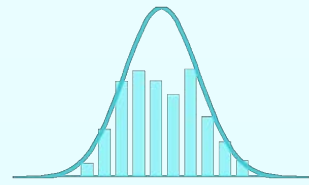
Everyone is using Klarna.

Representative consumers

80%

of the total adult population in our most mature markets are Klarna users

From all income levels



Klarna consumers earn according to average income level distributions

Responsible credit users

\$150

average outstanding credit balance per consumer vs. **\$6,000** for credit card users

Responsible payers

99%

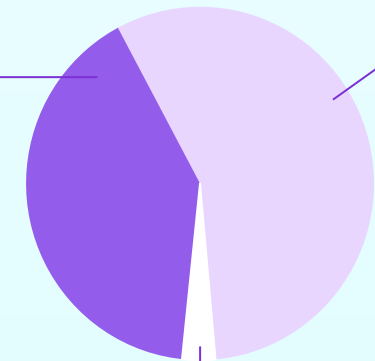
of consumer balance at Klarna is paid

Klarna is much more than just BNPL.

34%

Pay Now

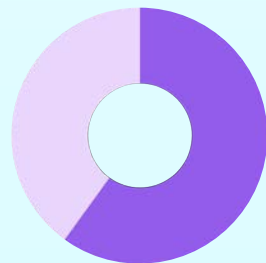
With no interest



Pay Later
With no interest

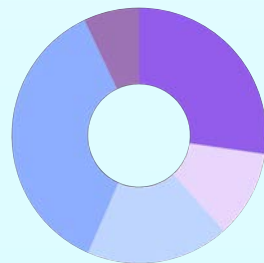
Fair Financing
From 0% to low interest

Balanced representation



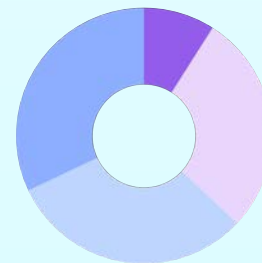
● **60%** Women
● **40%** Men

In all stages of life



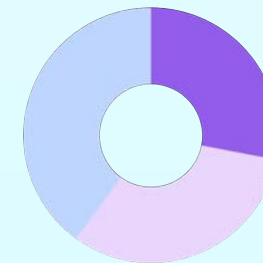
● **27%** Single w/o children
● **11%** Single with children
● **18%** Partner w/o children
● **36%** Partner with children
● **7%** Other

All educational backgrounds



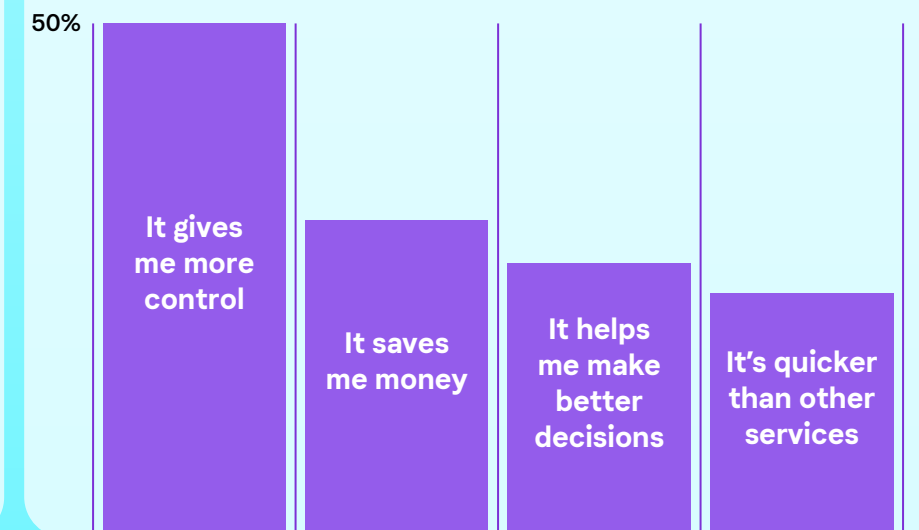
● **9%** Other
● **28%** Secondary Education
● **32%** University
● **31%** Post-secondary Education

Living in all areas



● **28%** Rural
● **32%** City
● **40%** Suburb

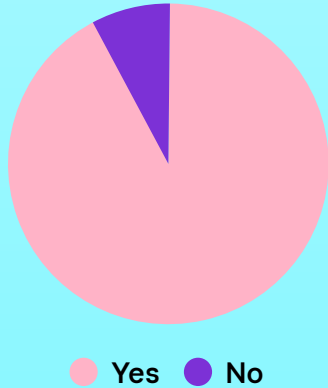
People choose Klarna for multiple reasons.



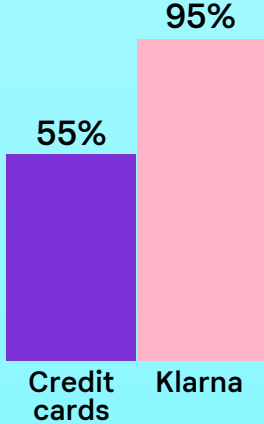
Our customers have one thing in common – a deep distrust of traditional banks.

When asked if Klarna a better option than a credit card, here's what Klarna consumers said:

95% believe Klarna is a better option than a credit card



95% are active after 12 months



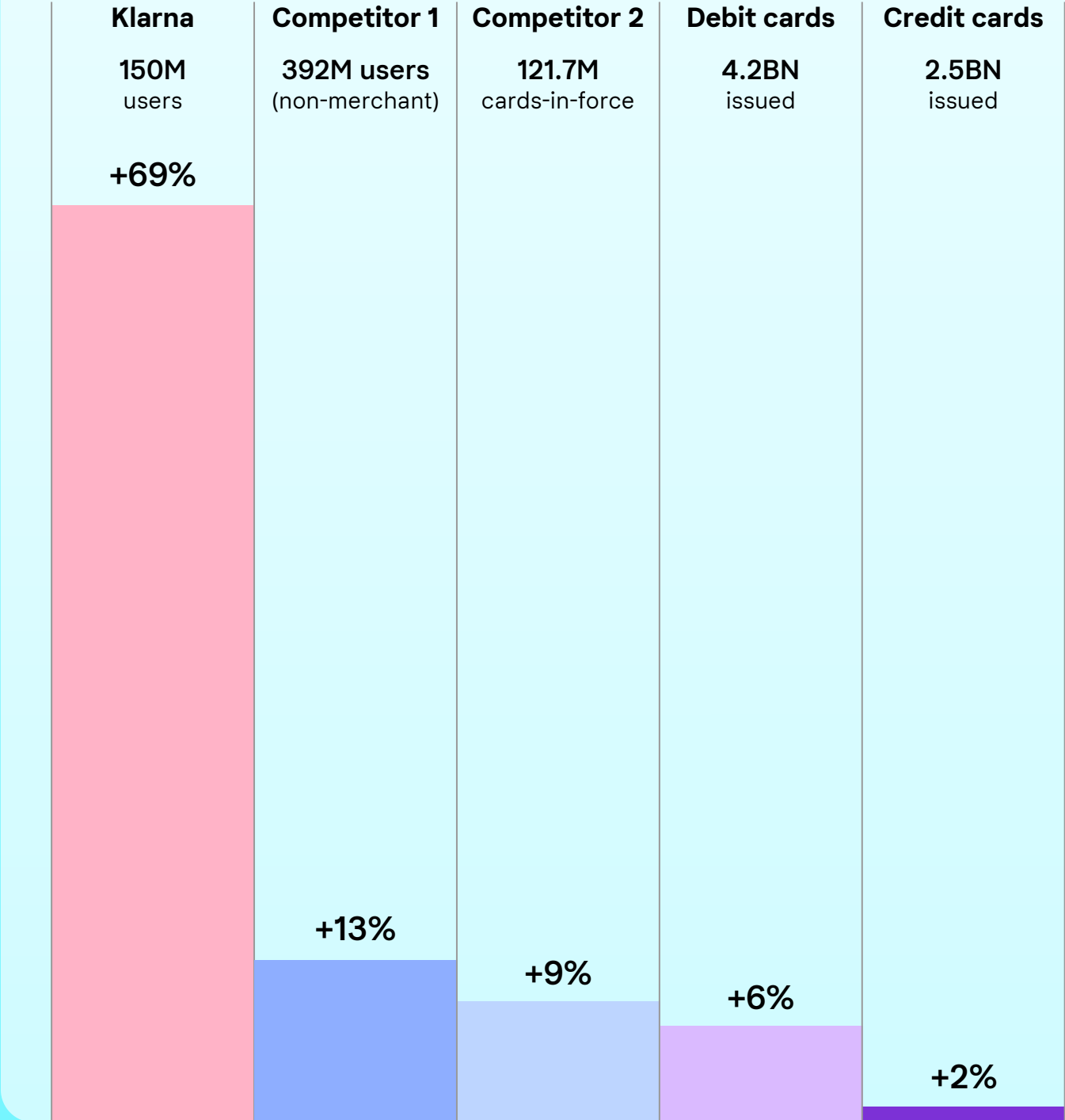
And it is not just Klarna customers who resent old banks.

52% Global trust level in the financial services industry – bottom of all in 2021

81% of US consumers aged 18-34 would prefer fintechs over legacy banks

63% of people don't entirely trust their banks to handle their data responsibly

This is driving Klarna's fast growth compared to legacy financial firms.

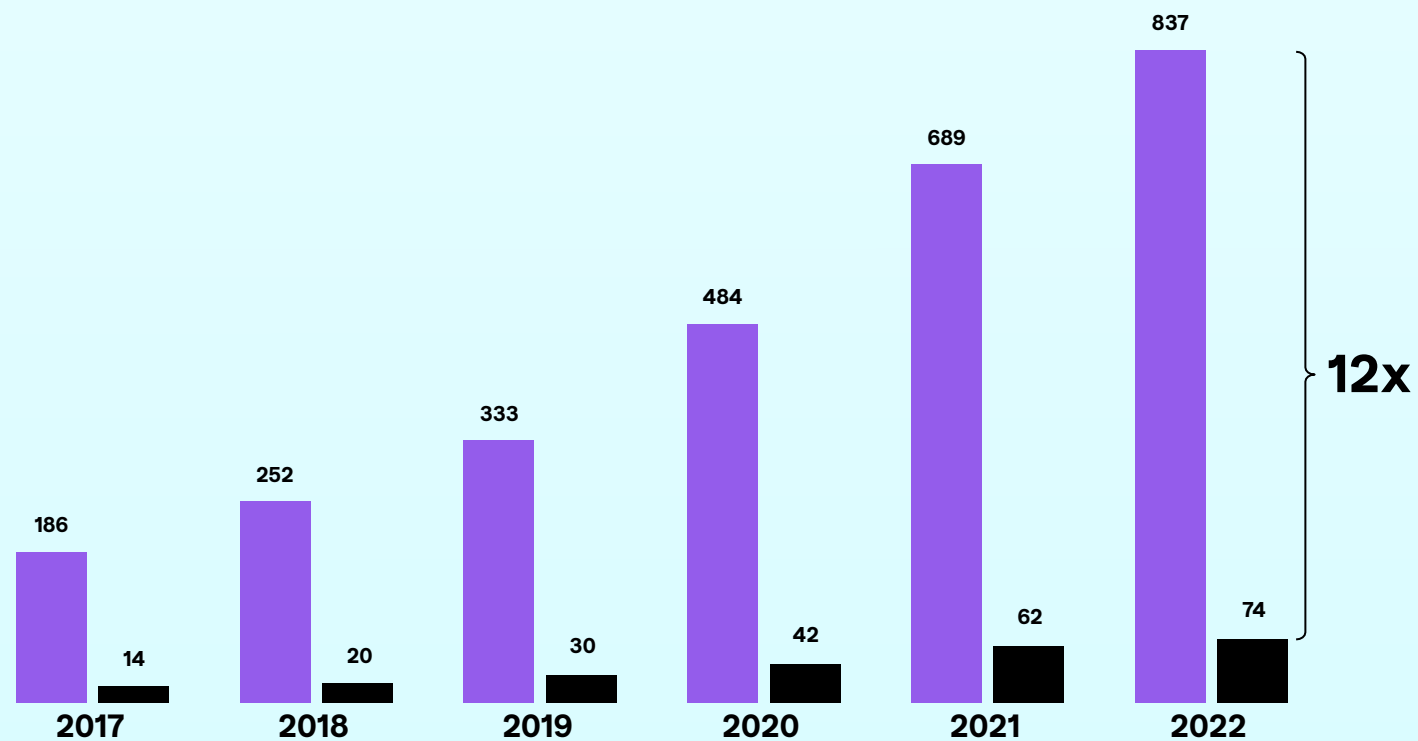


Klarna leverages its short-duration balance sheet to quickly react to market changes and manage credit risk.

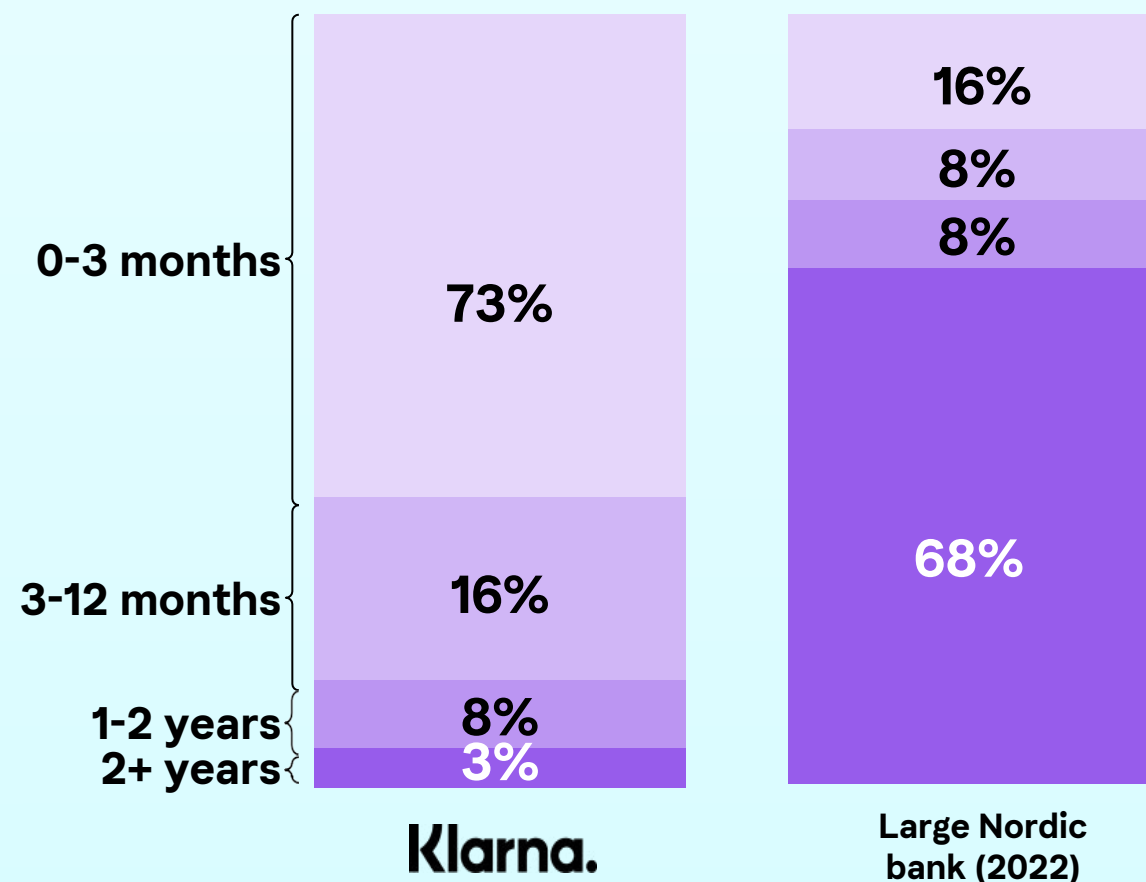
~40 days average duration of portfolio.

Renewal of the balance sheet.

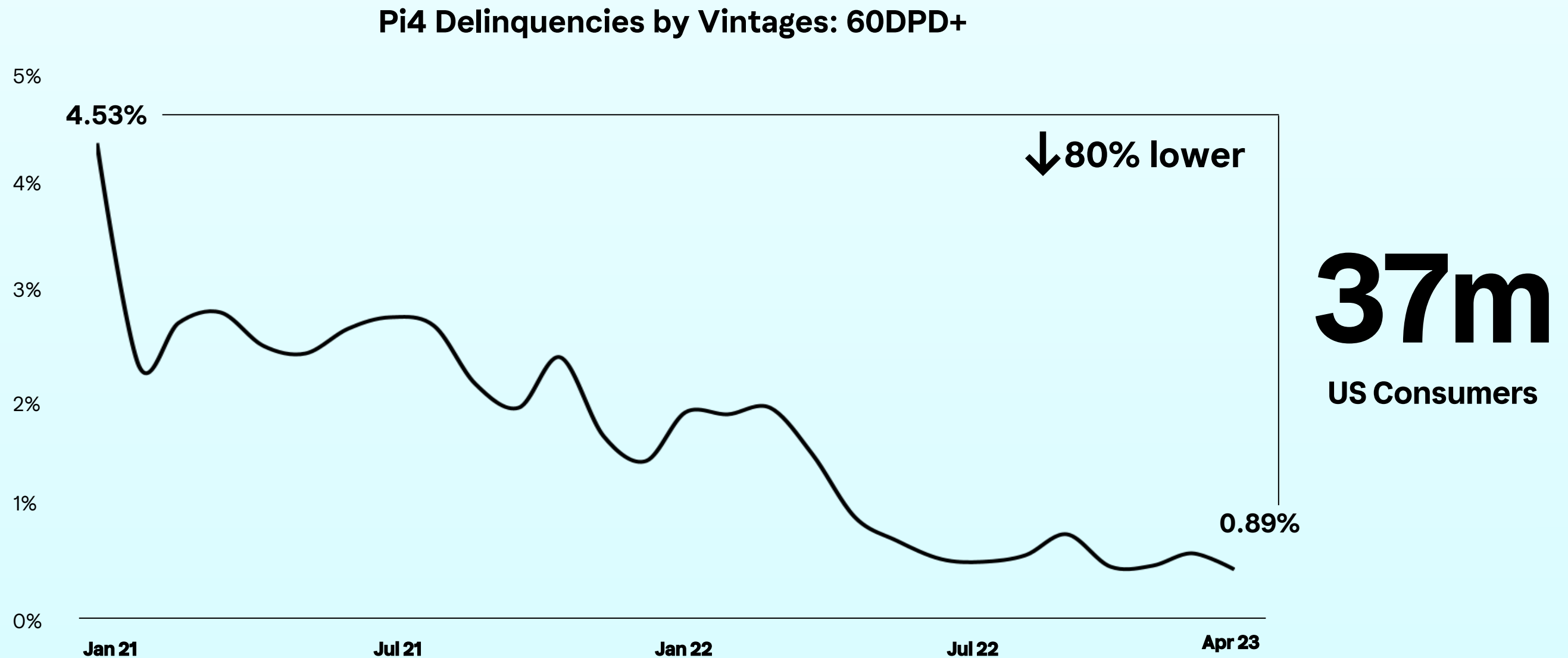
■ Total originated volume (GMV) (SEKbn) ■ Balance per end of period (SEKbn)



Age distribution of credit receivables, from origination.

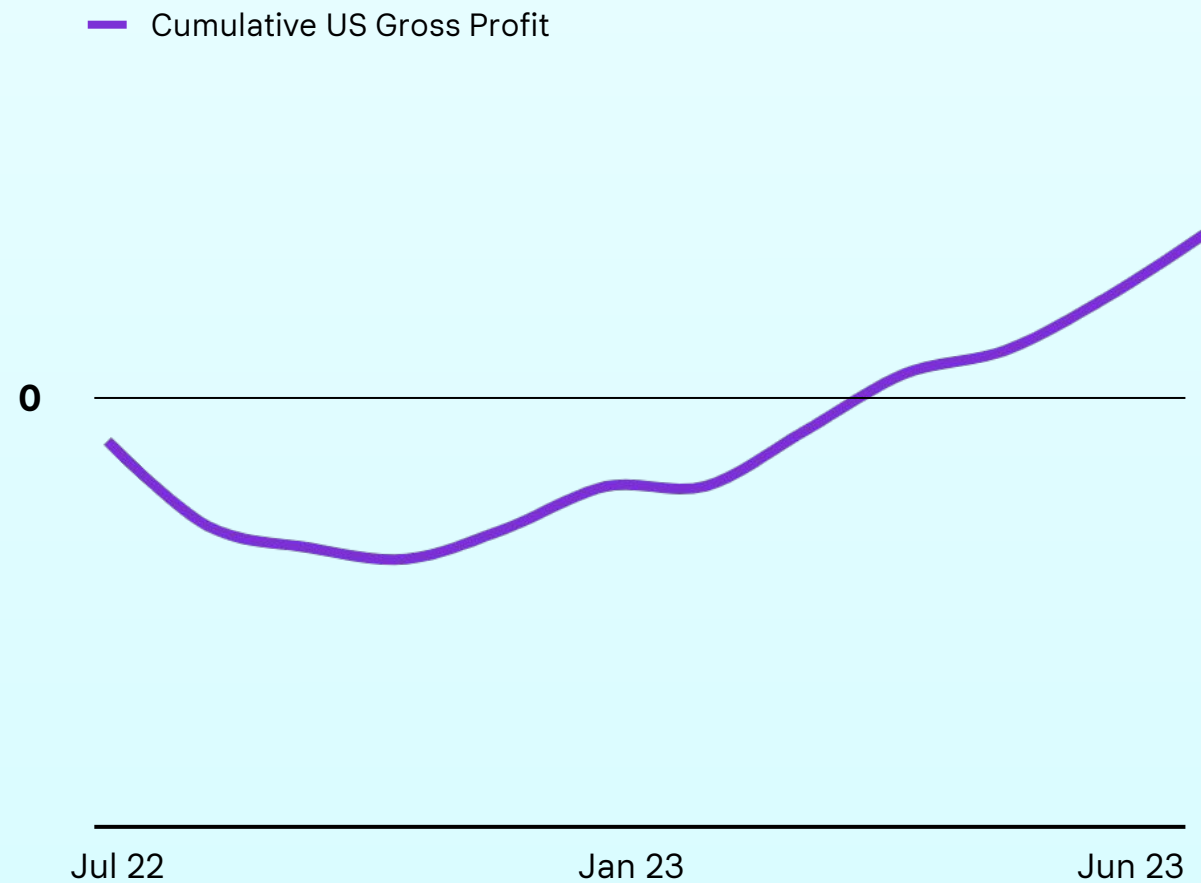


In the US, loss rates have improved rapidly as we reach scale.

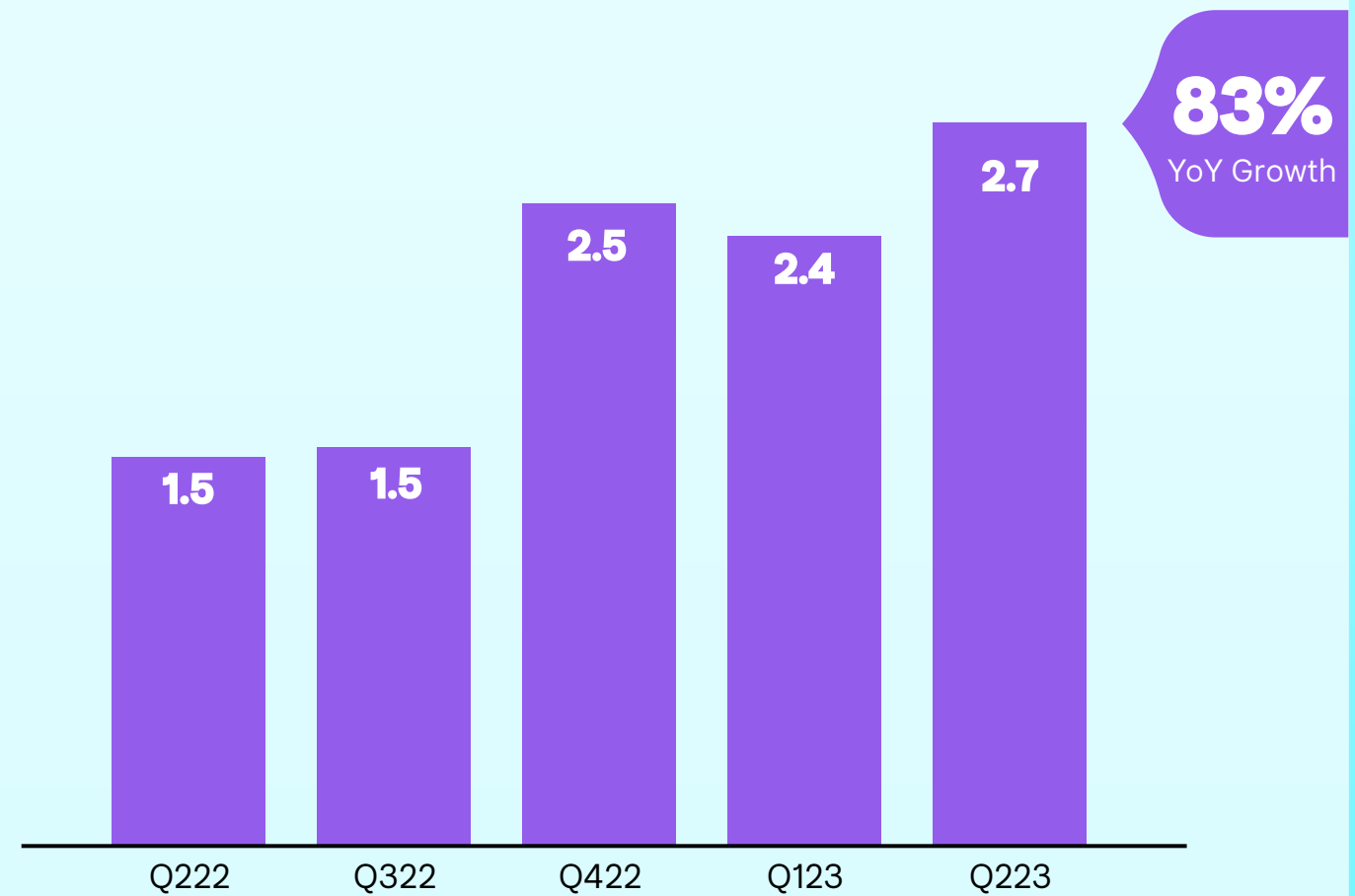


Positive gross profit progression at US and Group level.

US gross profit progression.

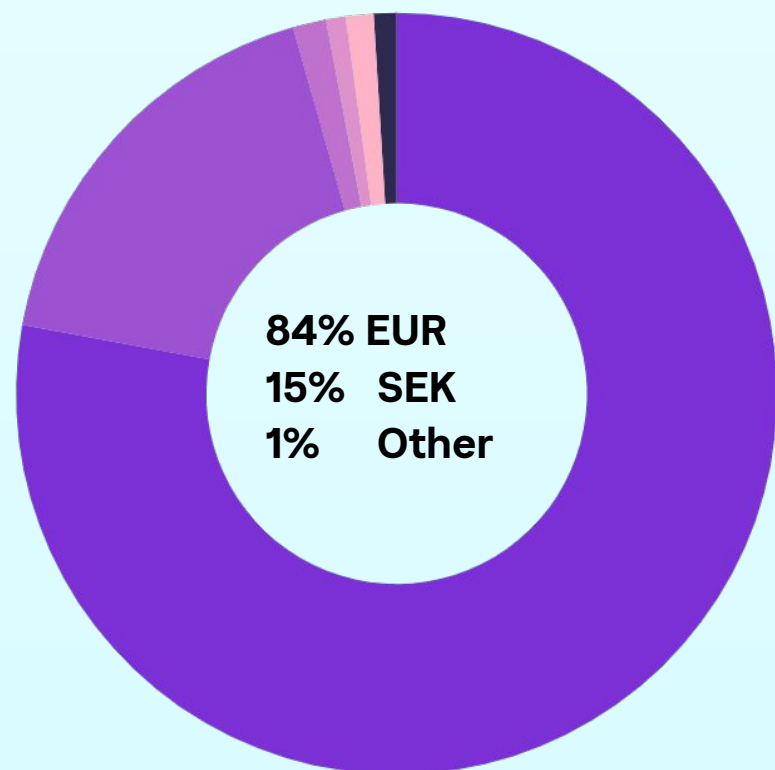
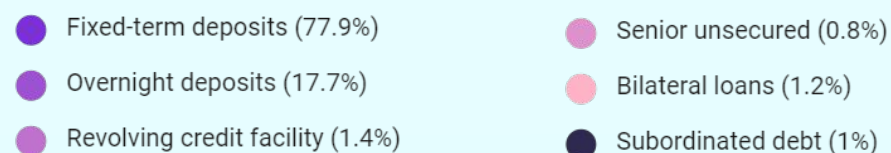


Group gross profit progression (SEKbn).



Strong access to cost effective funding.

Stable sources of funding (June 2023).



Funding costs represent a small share of our total cost base.

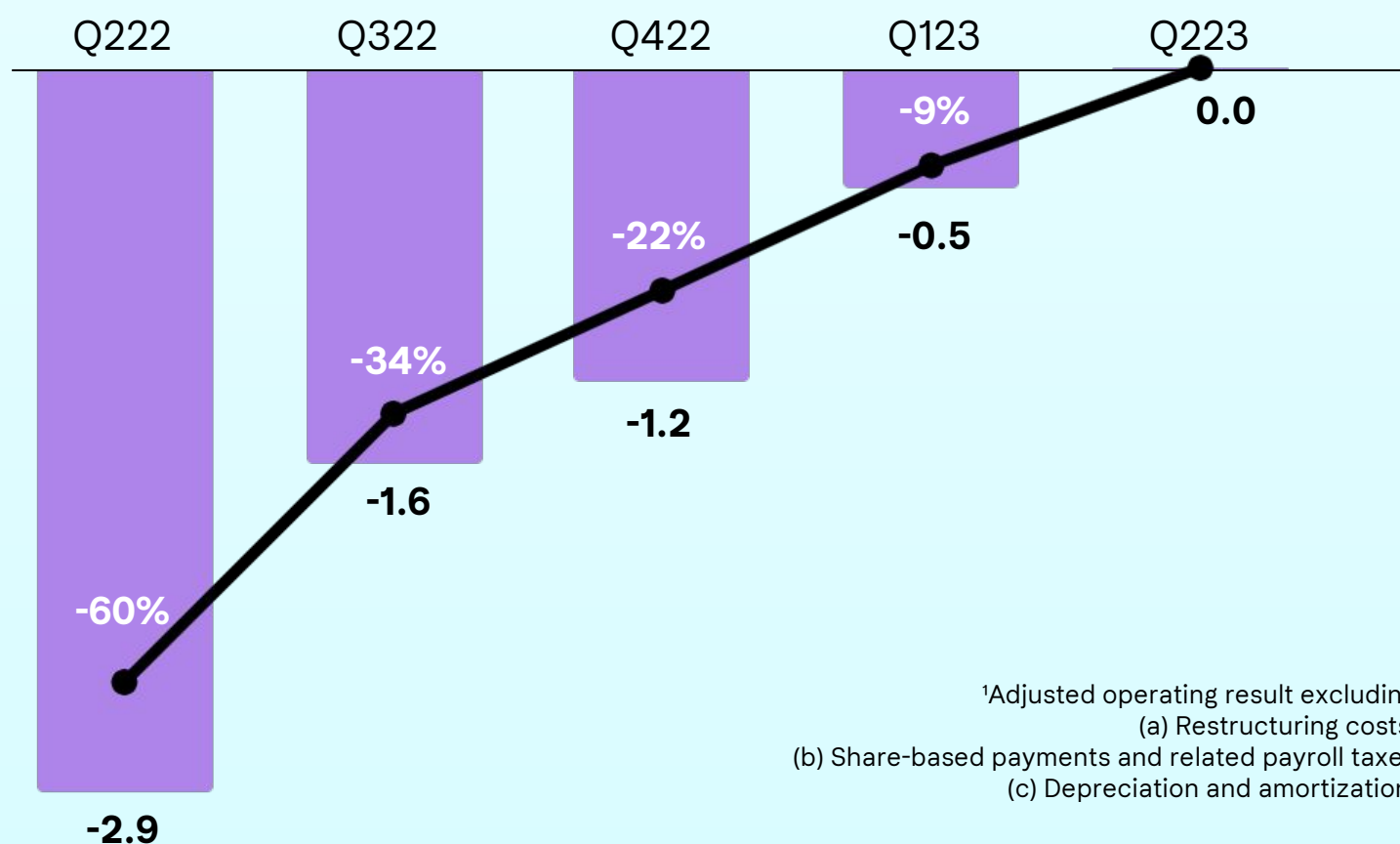
Amounts in SEK bn	Q222	Q223	% of revenue Q223
Revenue	4.7	5.5	100%
Net Interest Expense	0.2	0.3	6%
Credit losses	1.7	1.0	18%
Adj. opex before credit losses	5.2	3.8	69%
Other costs	0.6	0.4	7%
Adj. operating result ¹	-2.9	0.01	-

¹Adjusted operating Result excluding (a) Restructuring costs; (b) Share-based payments and related payroll taxes and; (c) Depreciation and amortization.

In Q222 we made the decision to return to profitability and we have delivered ahead of plan.

Adjusted operating results (SEKbn)*.

■ Adjusted operating result* ● Adjusted operating margin*



*Adjusted operating result excluding
(a) Restructuring costs;
(b) Share-based payments and related payroll taxes
(c) Depreciation and amortization.

SEK 10m

Adj. operating profit in Q223

**Our future
is focused
on growth.**



Klarna.

**is on a mission
to accelerate
commerce.**



Disrupting the multi-billion dollar payments industry with a fairer, more sustainable alternative.

Retail payments addressable market.

\$16tn

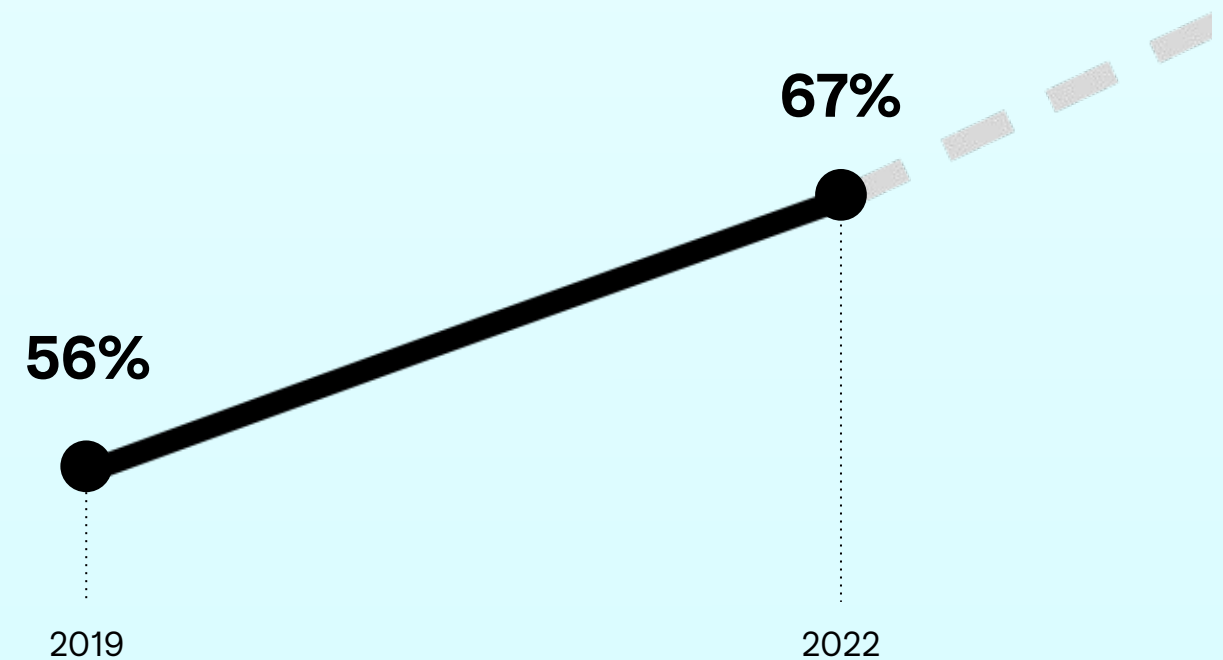
in consumer retail payments.

Generating revenues of

\$440bn

A secular trend of increasing digital payments.

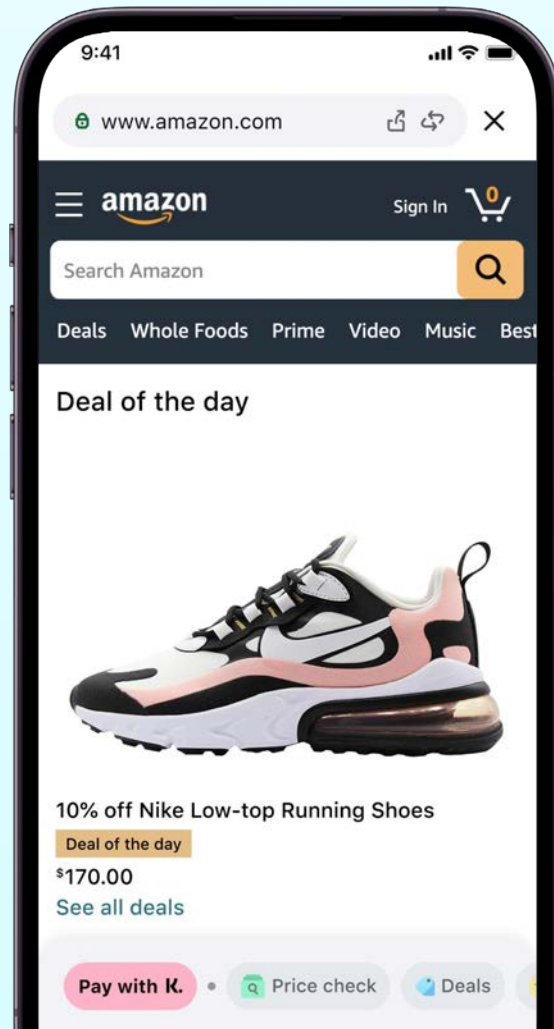
— Share of digital payments value in consumers' transactions*



* Europe's share of digital payments by transaction value
Source: ECB - Study on the payment attitudes of consumers

Transforming the shopping experience.

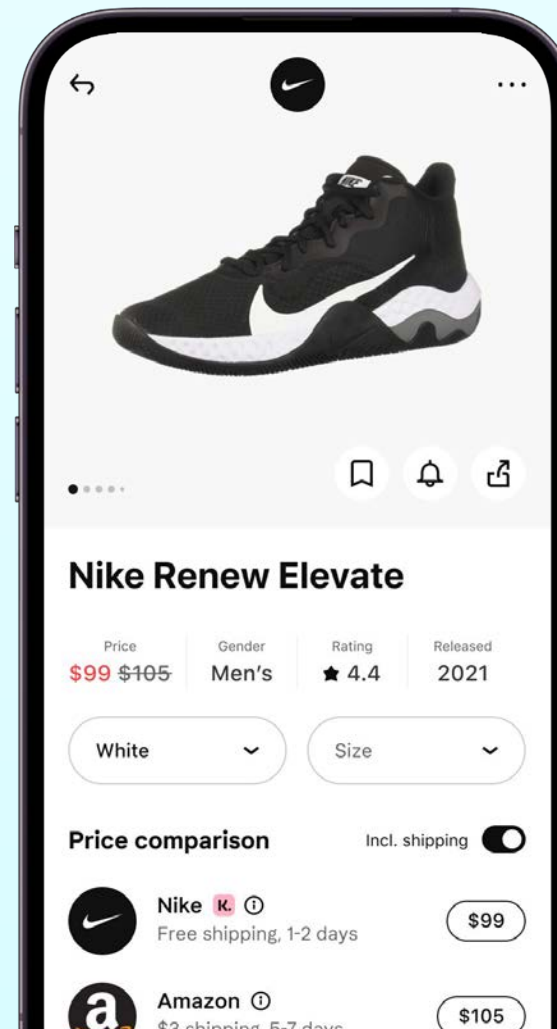
Shop anywhere with Klarna



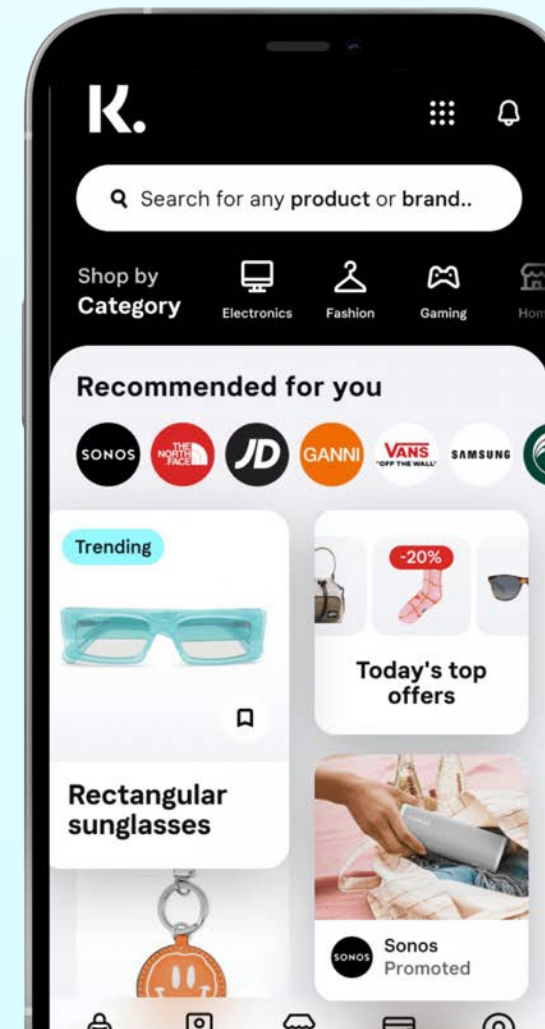
Immersive shoppable content



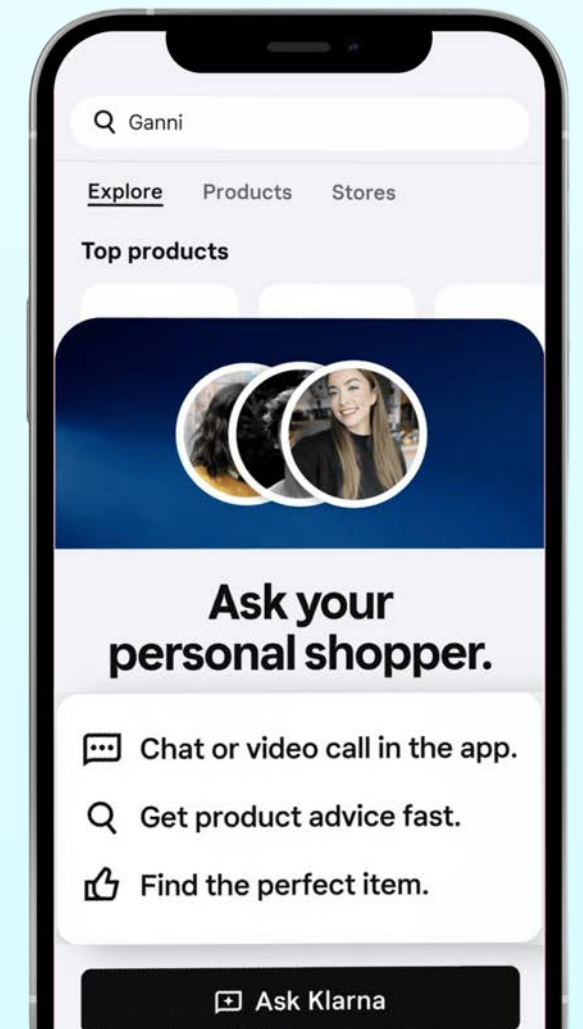
Rich & powerful product search



Personalized product recommendations



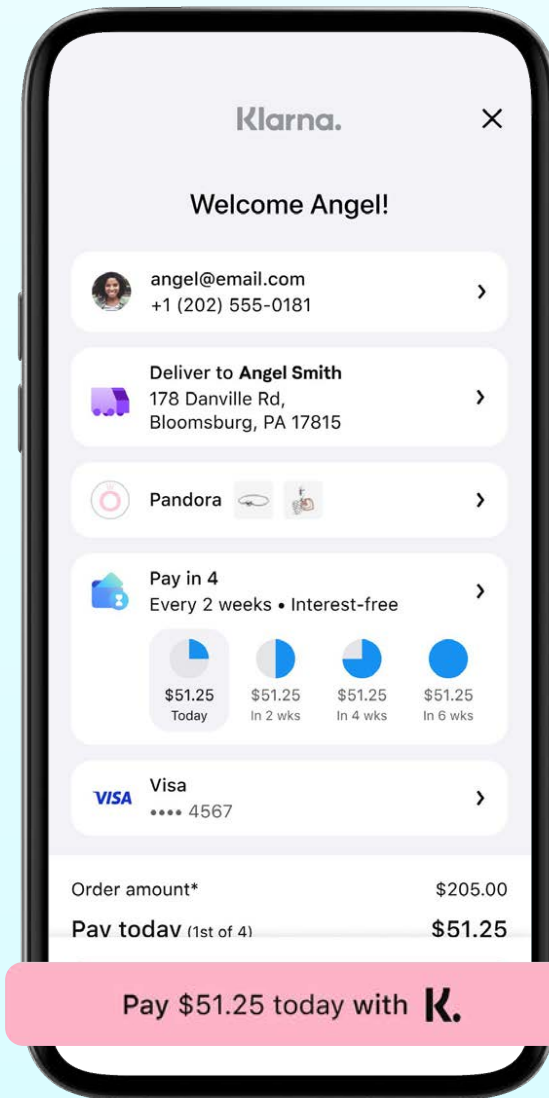
Personal shopping advice



Klarna accelerates commerce.

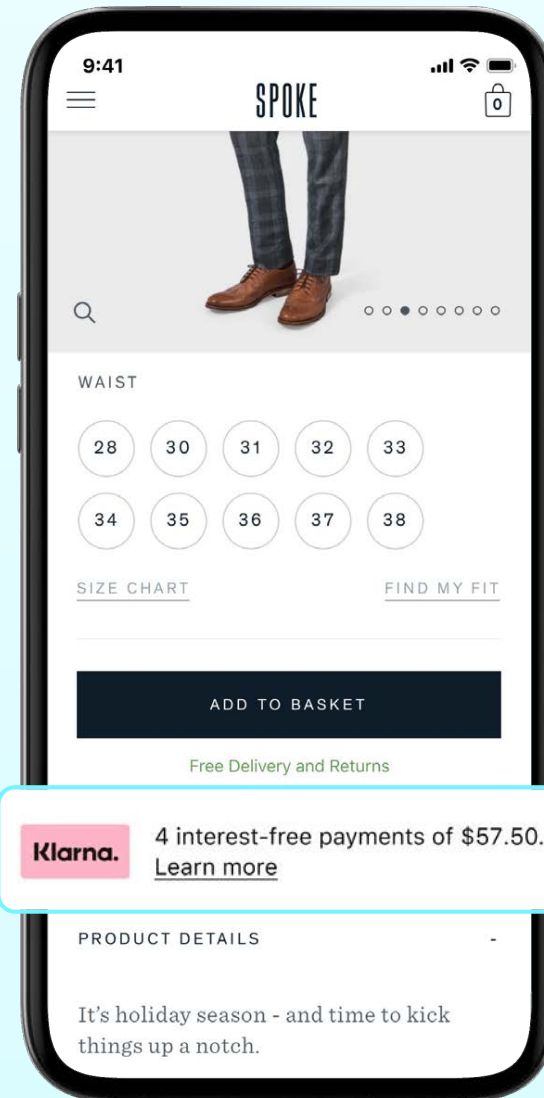
Merchant acceleration tools.

Express checkout



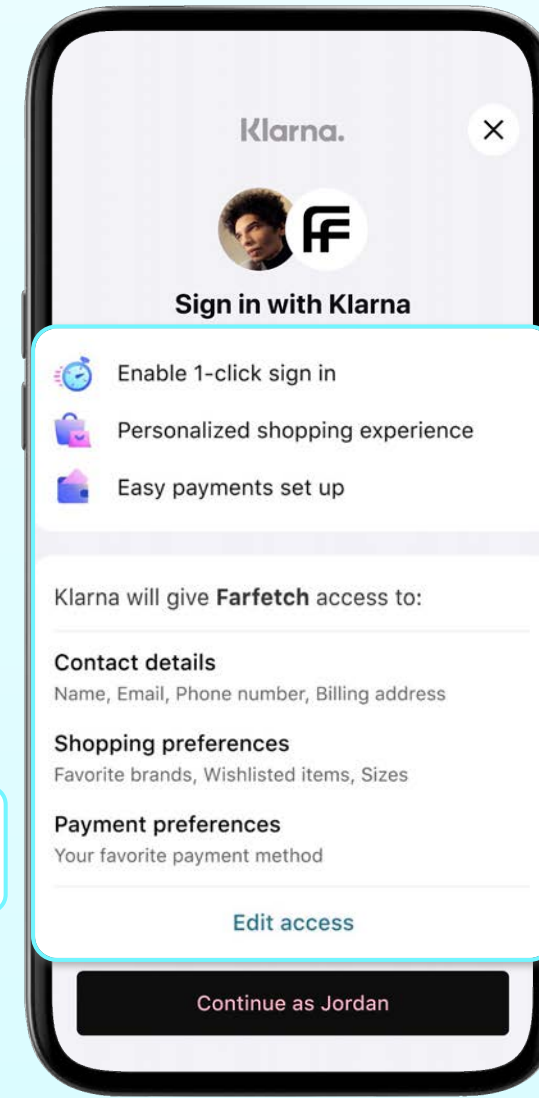
5x faster checkout

On-site messaging



+9% AOV increase

Sign-in with Klarna



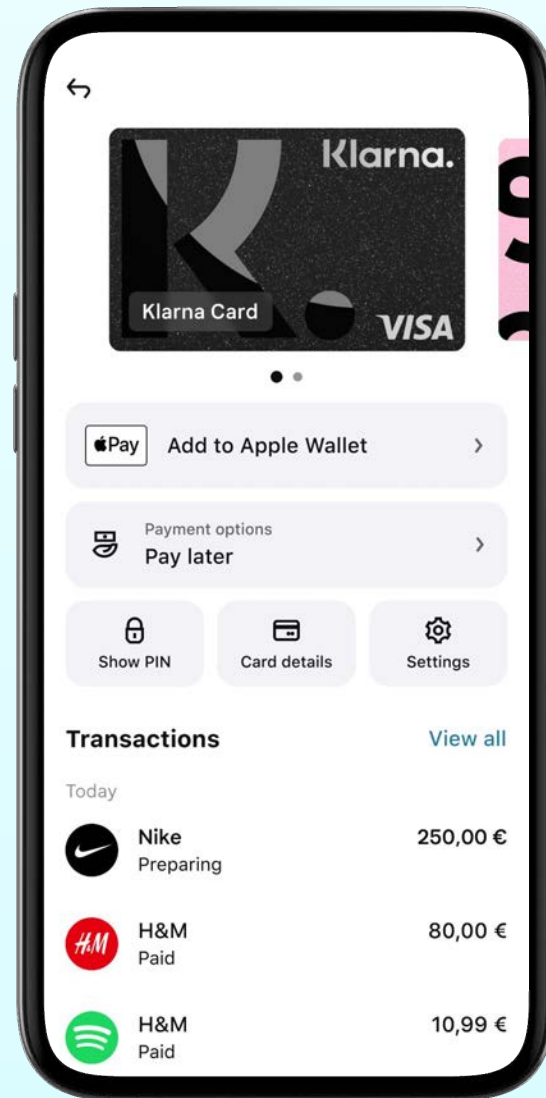
6x conversion rate increase



Klarna accelerates commerce.

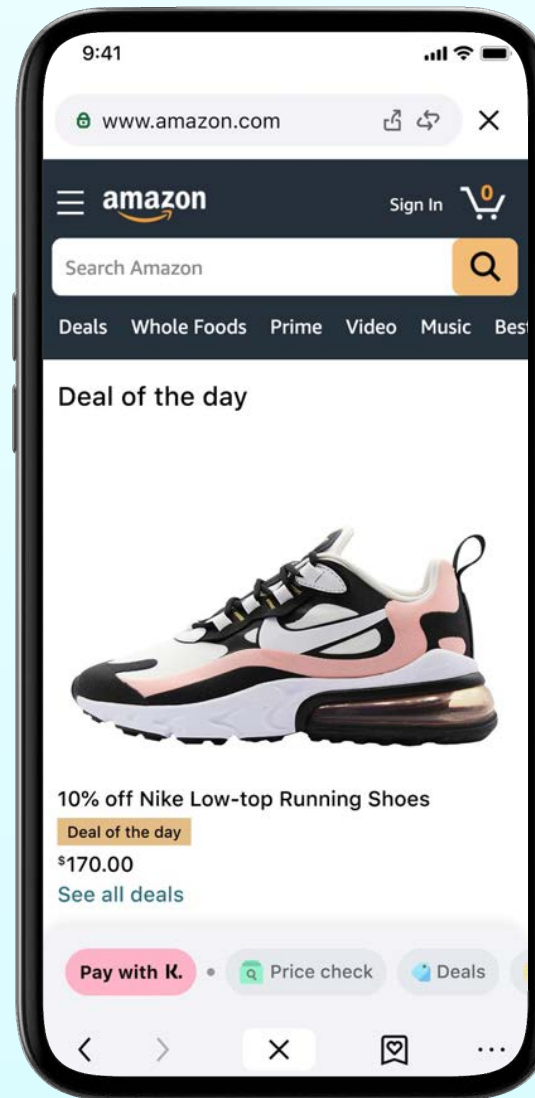
Consumer-led growth.

Klarna card



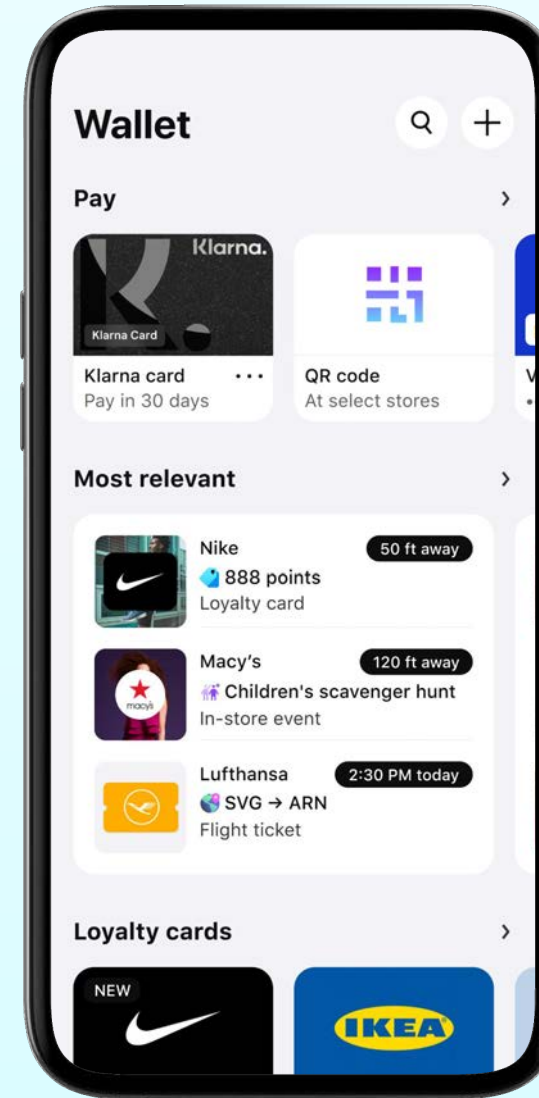
6x higher purchase frequency for card users vs non-card users

Shop anywhere with Klarna



4x higher conversion vs leading web browser

Klarna wallet (loyalty cards)



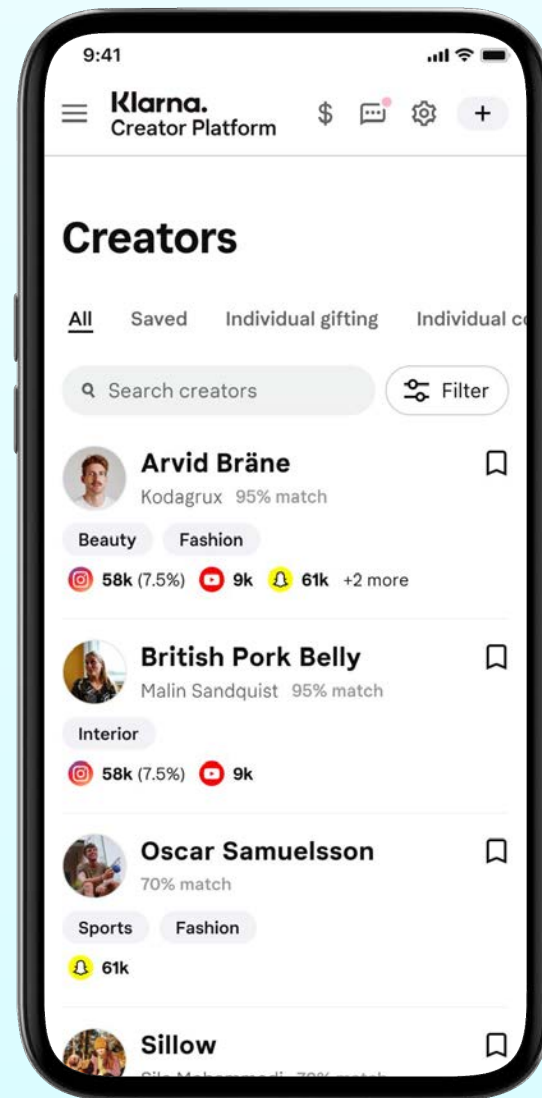
43M wallet opens per week



Klarna accelerates commerce.

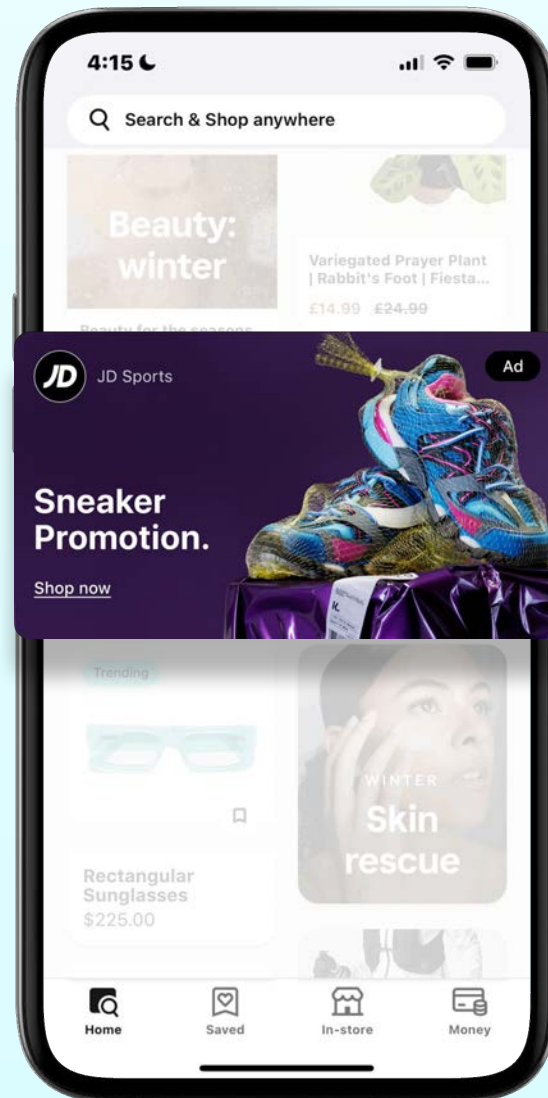
Expanding into commerce solutions.

Creator platform



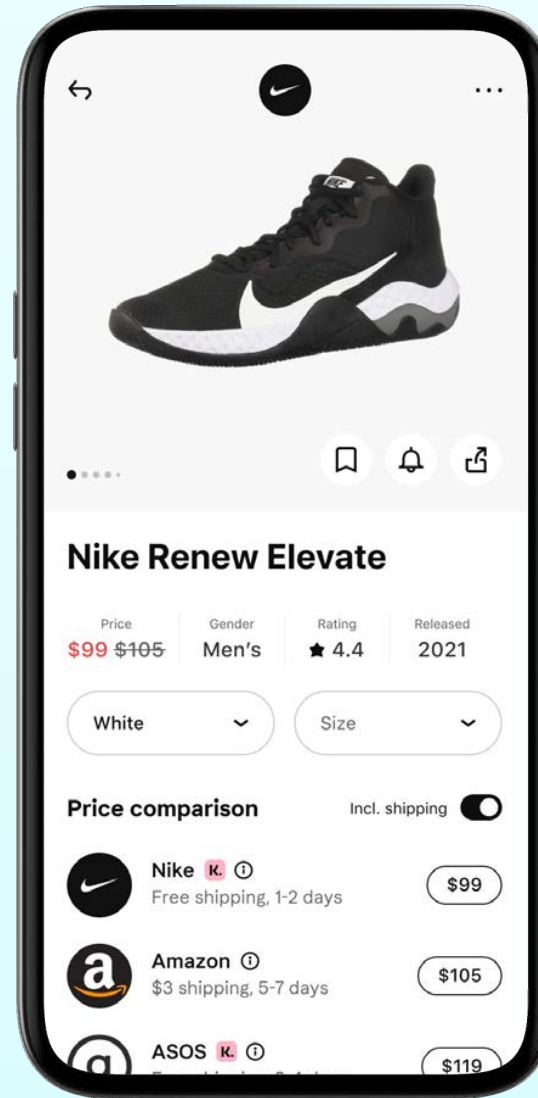
2x higher retailer ROI than PPC advertising

In-app placements



3x higher click-through rate vs industry average

Search & Compare



+80% year-over-year active product growth

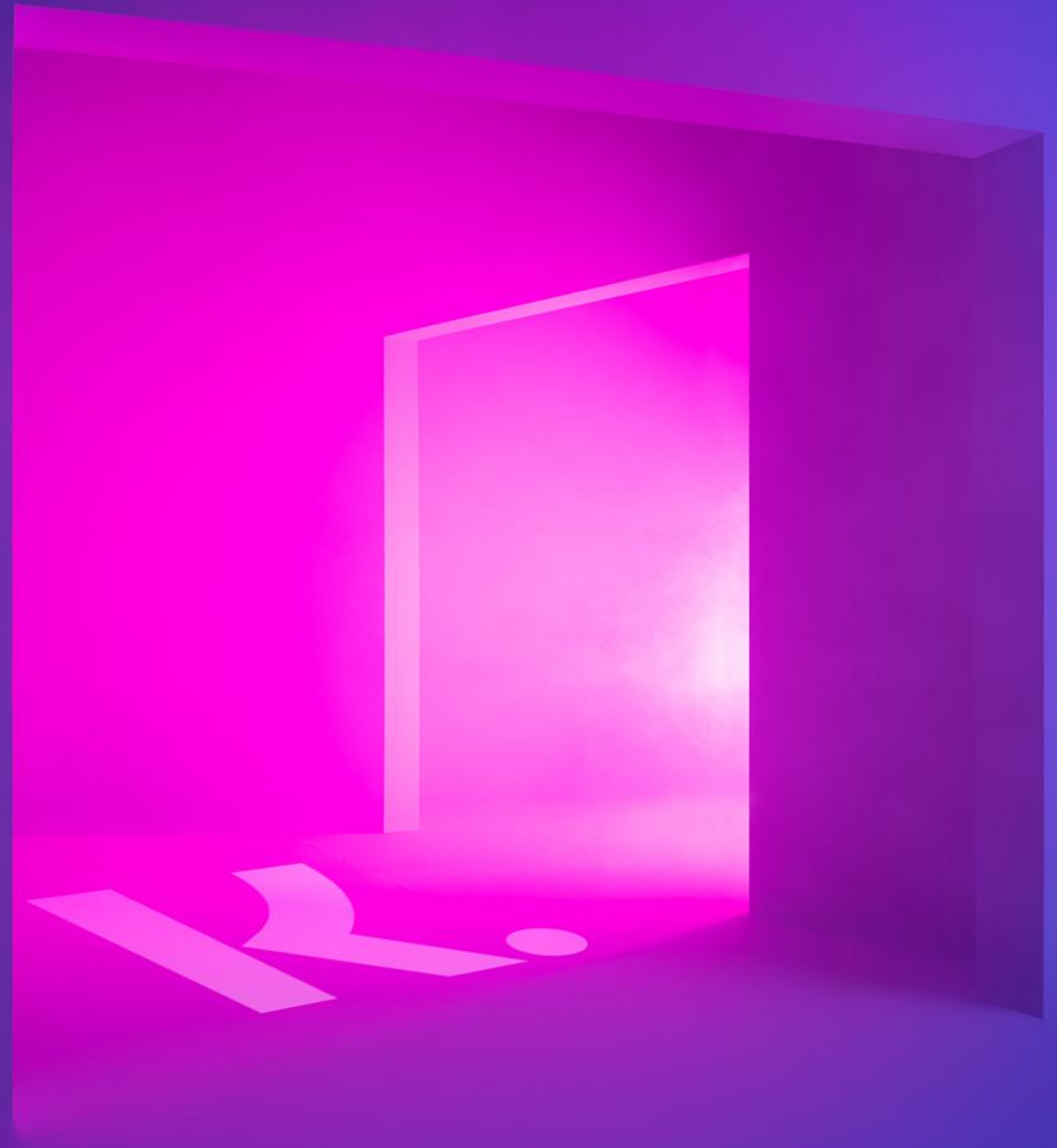
A massive revenue opportunity while unlocking incremental growth for retailers.

\$823bn
Total Advertising
Addressable Market

6x
Greater spend on
advertising vs payments

\$142bn
Ecommerce
payments
processing
spend

**Klarna is
all in AI.**



Accelerating commerce with AI.

A massive opportunity to deliver more value for our customers and society.

\$16tn 

AI expected to contribute to global economy by 2030.

37%

increase of labour productivity related to AI by 2035.

70%

time saved employees through AI-driven automation.

96%

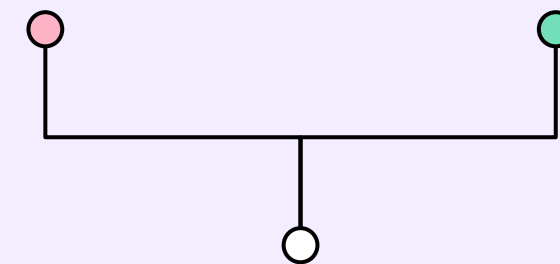
of business owners believe ChatGPT will help their business.

Powered by



Klarna

Open AI



A unique partnership with limitless potential to redefine shopping and payments.

AI-assisted case log classification.

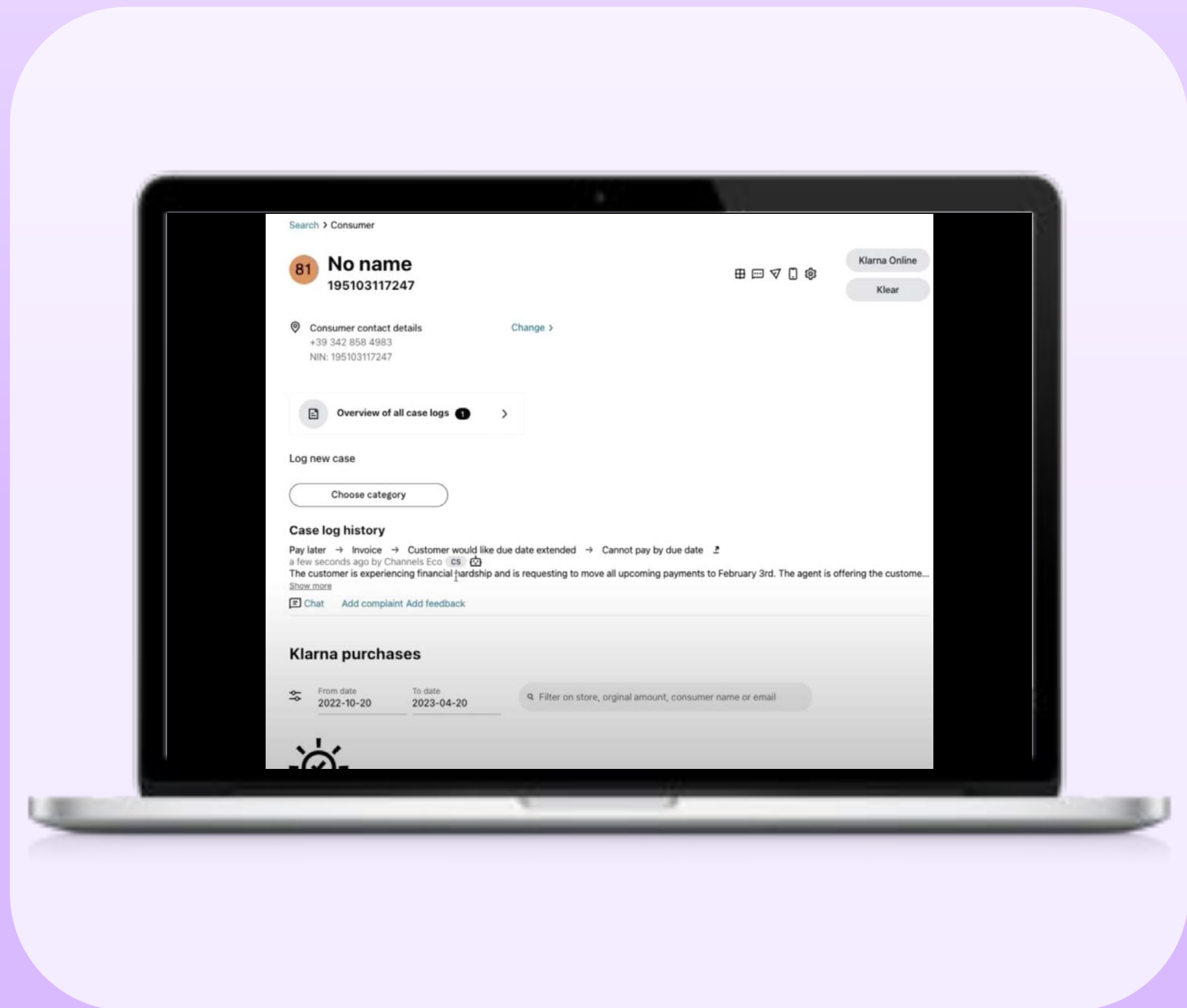
Klarna's AI-powered root cause automation tool handles documents and **categorizes +1M monthly chat conversations**. It automates an important but time-consuming, repetitive task for employees while increasing accuracy and productivity.

+18%

accuracy uplift vs agent based

\$4.1m

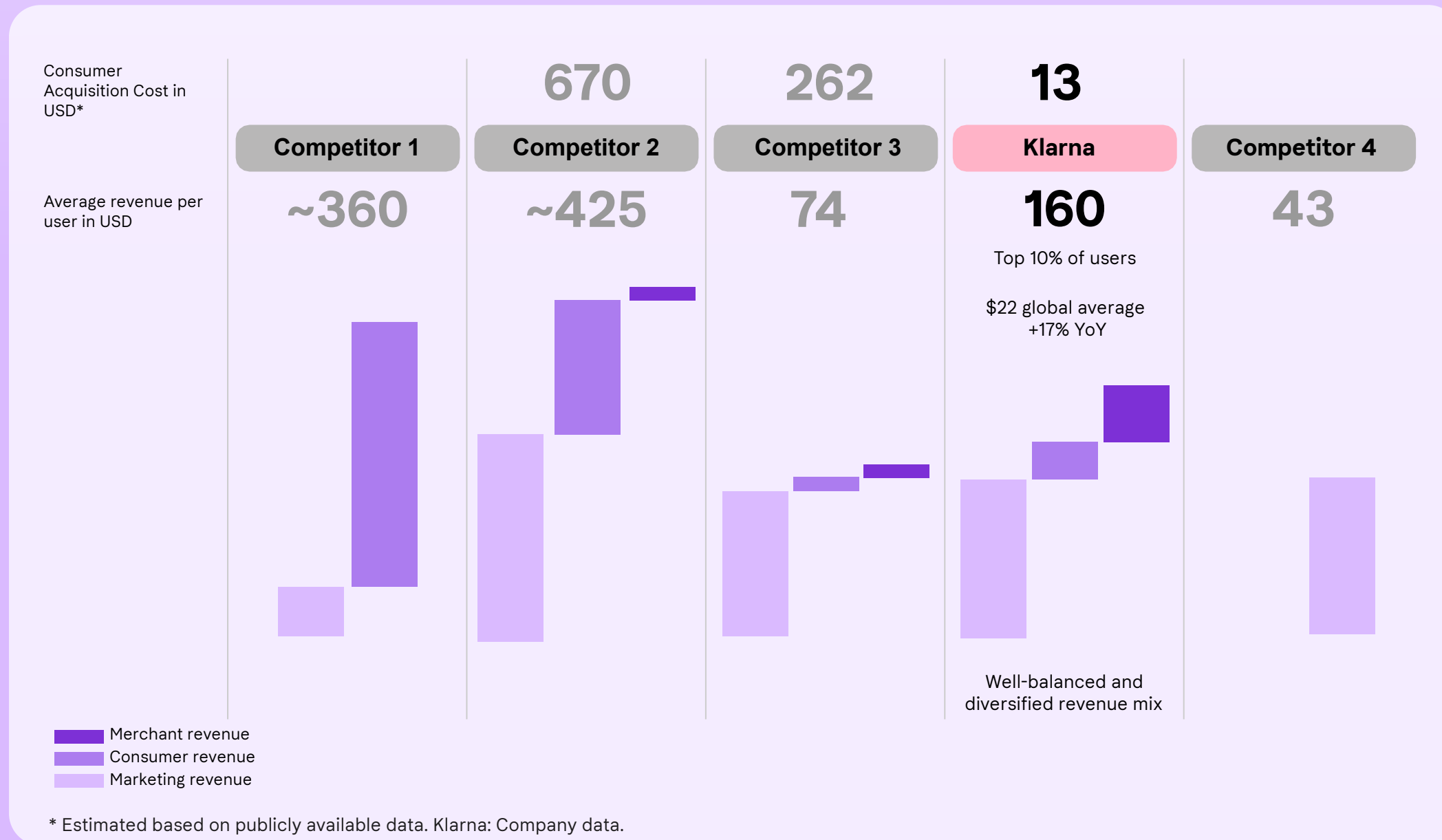
year-on-year efficiency savings



Our sustainable business model



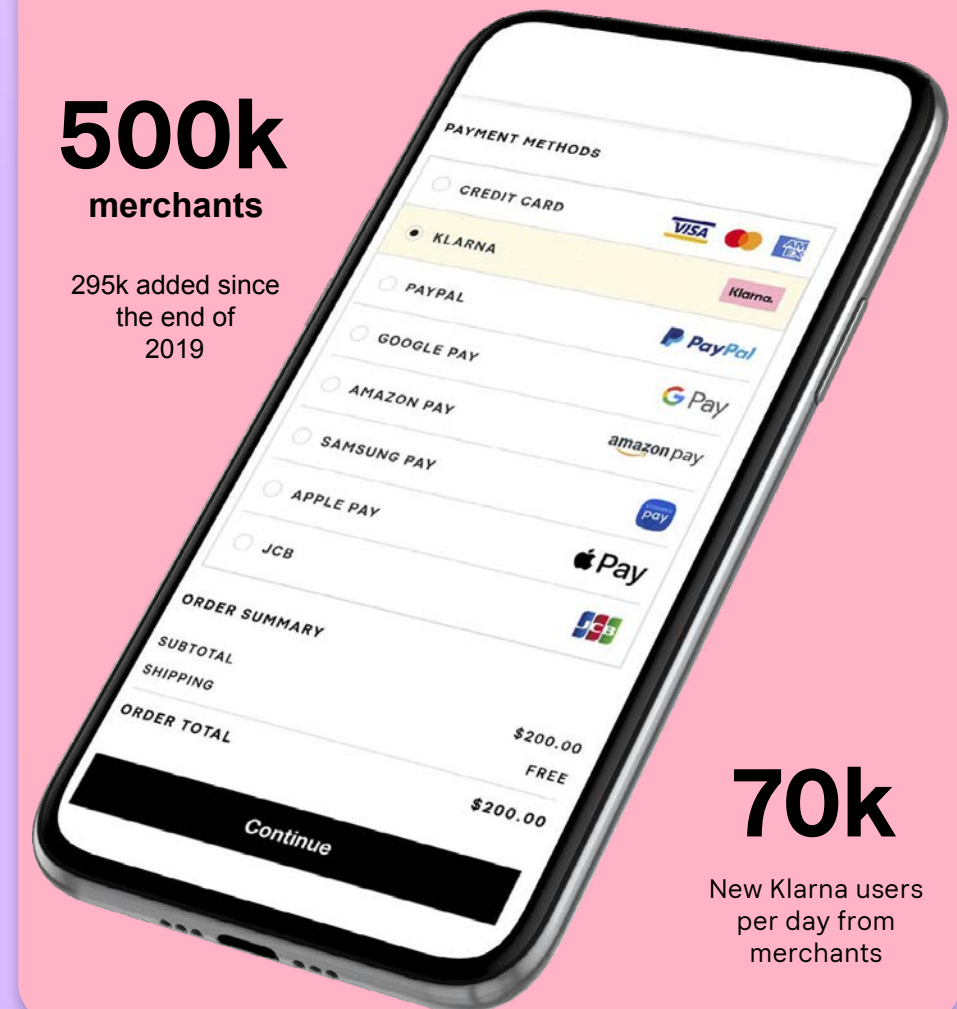
The road to disrupting the industry: our long-term, sustainable and profitable business model.



First time usage of Klarna is simpler than using your existing card.

500k merchants

295k added since the end of 2019



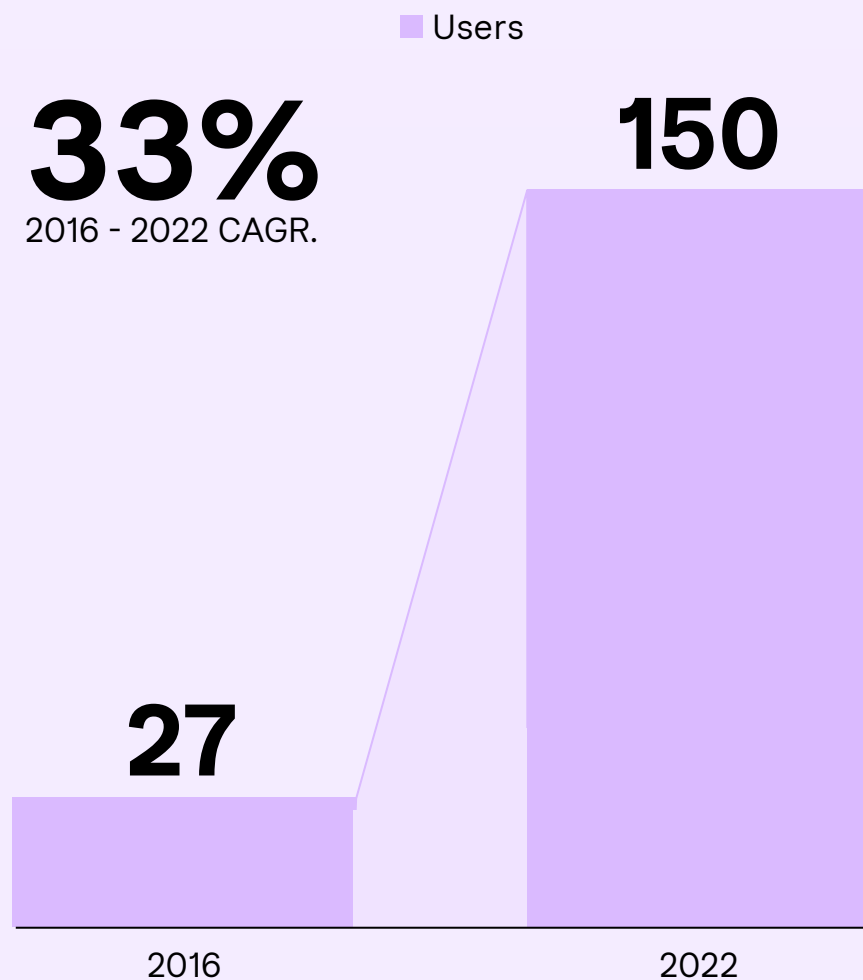
70k

New Klarna users per day from merchants

Our simple and sustainable model, growth and frequency.

Continuously growing active user base.

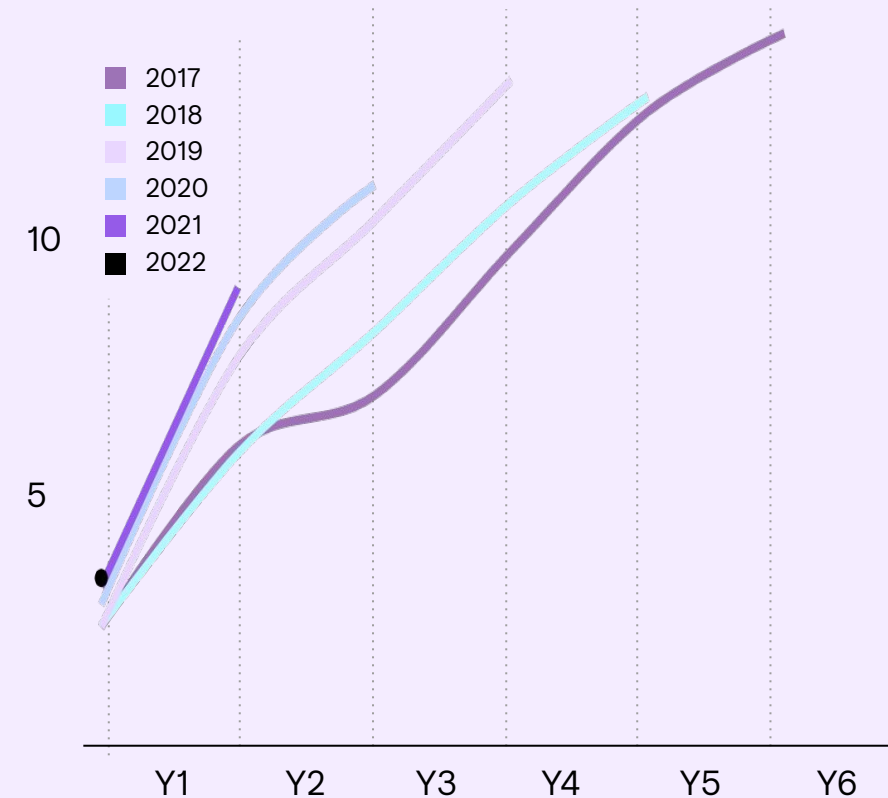
Number of active users, millions



Accelerating purchase frequency across cohorts.

10x Global average purchase frequency

Avg. annual purchases per consumer by cohort



Product launches accelerate frequency.

6x

higher frequency for Klarna card user*

4x

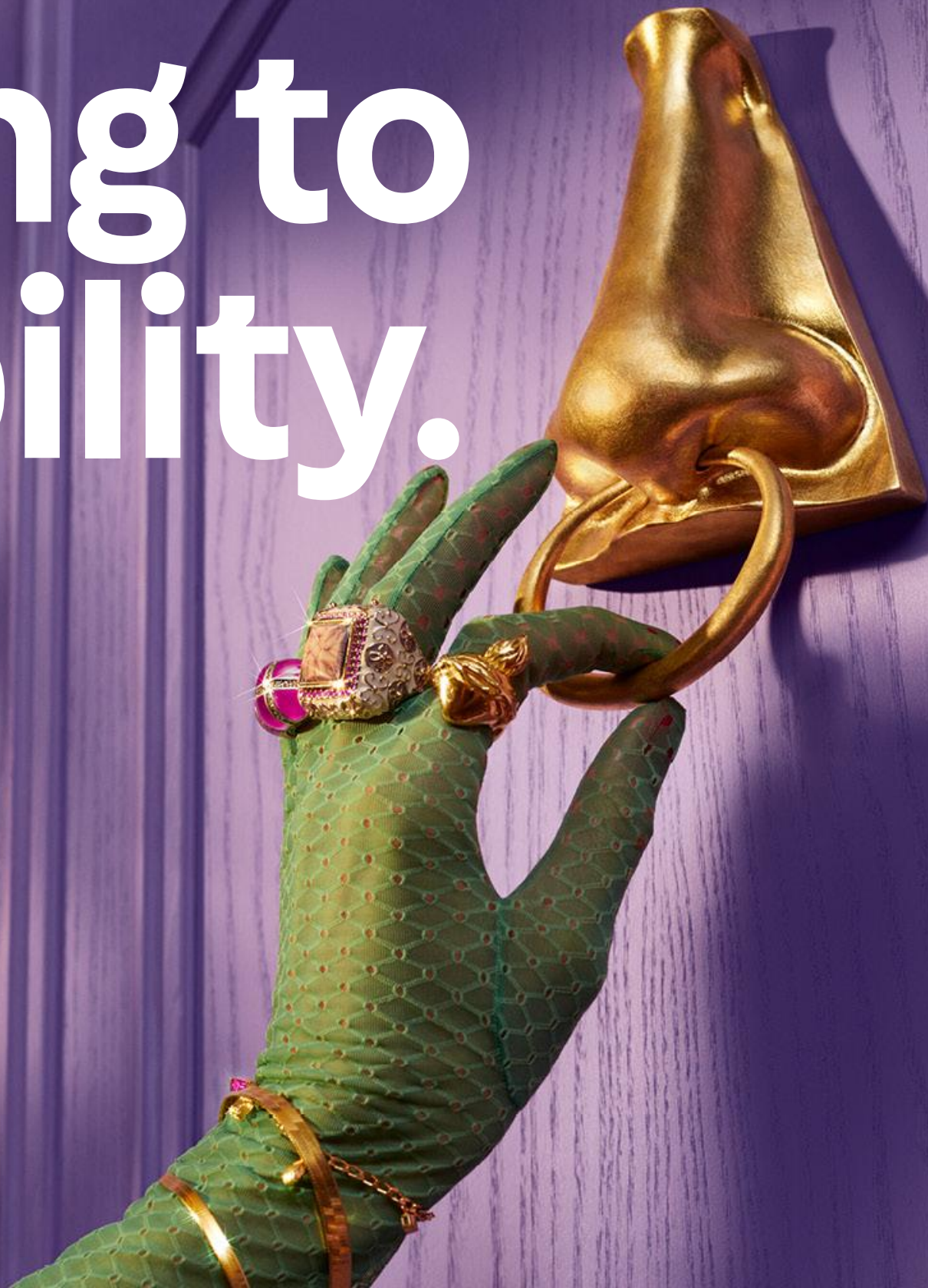
higher frequency for shopping app users*

2.5x

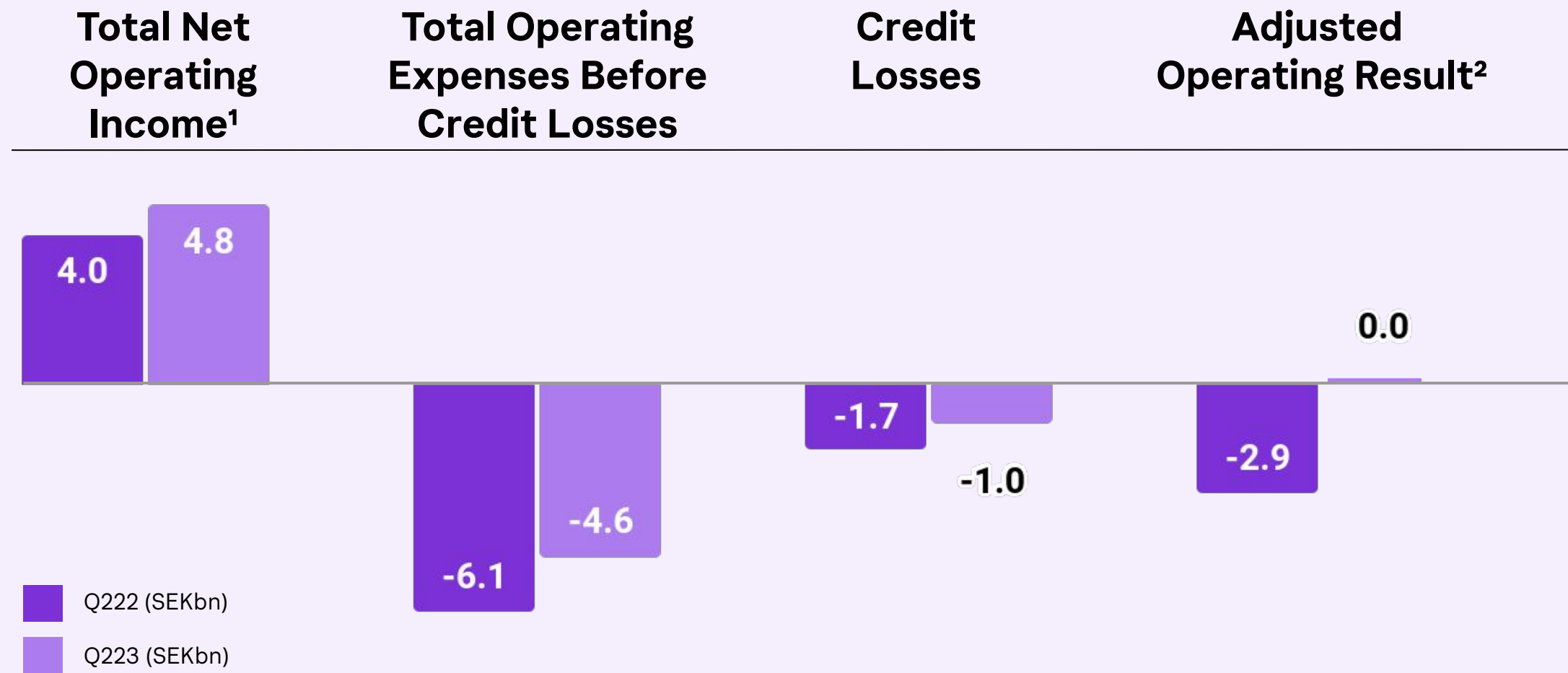
higher frequency for Reward Club user*

* in markets where the product is matured

**Returning to
profitability.**



Q223 Summary Financial Performance.



21%
Q223 YoY

↓24%
Q223 YoY

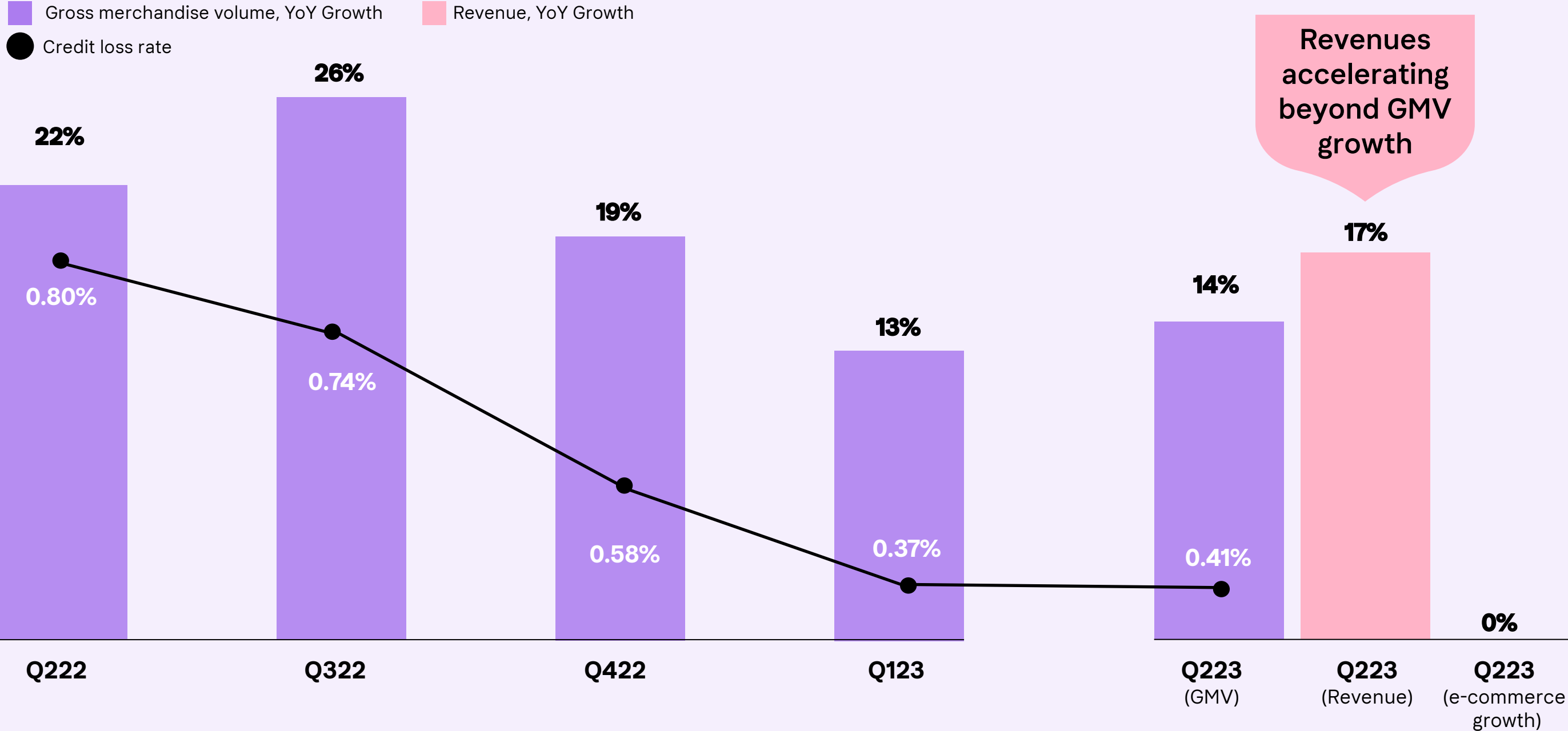
↓41%
Q223 YoY

SEK 10m
Adj. operating profit

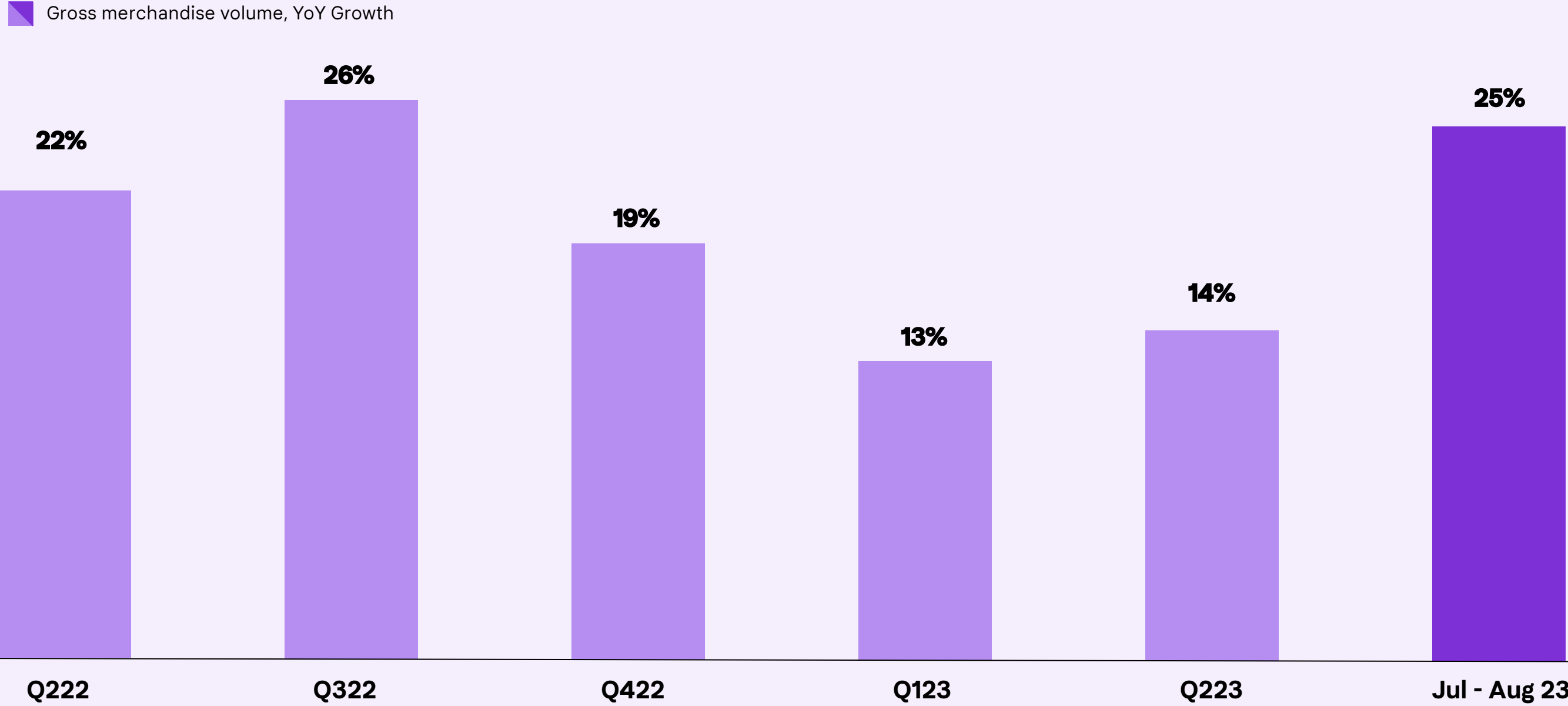
¹ Net interest income + Commission Income + Commission Expenses + Net result from financial transactions and Other operating Income.

² Adjusted operating Result excluding (a) Restructuring costs; (b) Share-based payments and related payroll taxes and; (c) Depreciation and amortization.

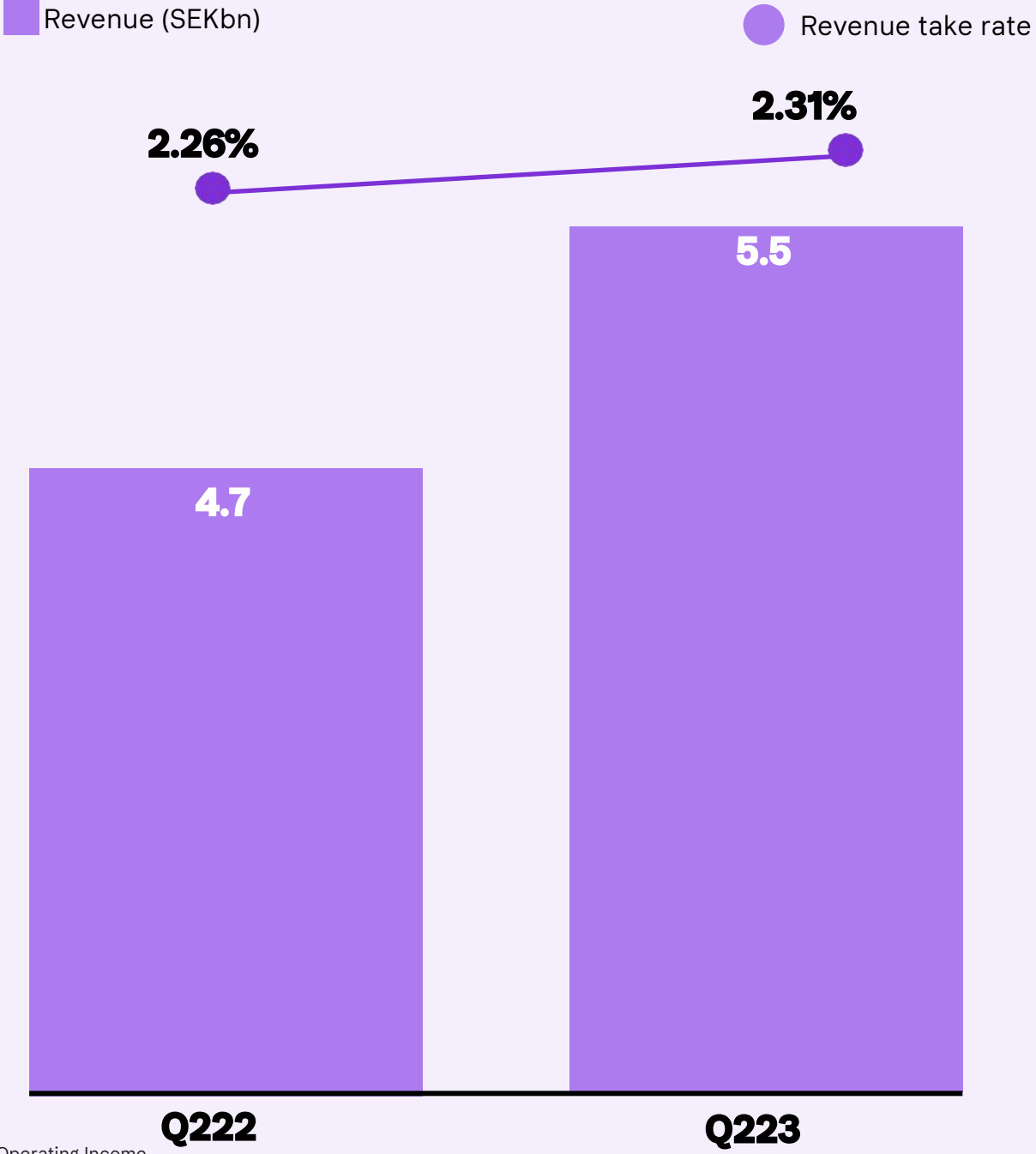
Klarna outpaced the secular trend in online payments, while returning to profitability.



Now we're focused on accelerating back to sustainable growth.



Fee-based revenue from retailers drives consistent strong revenue growth



77%
Fee-based income ¹

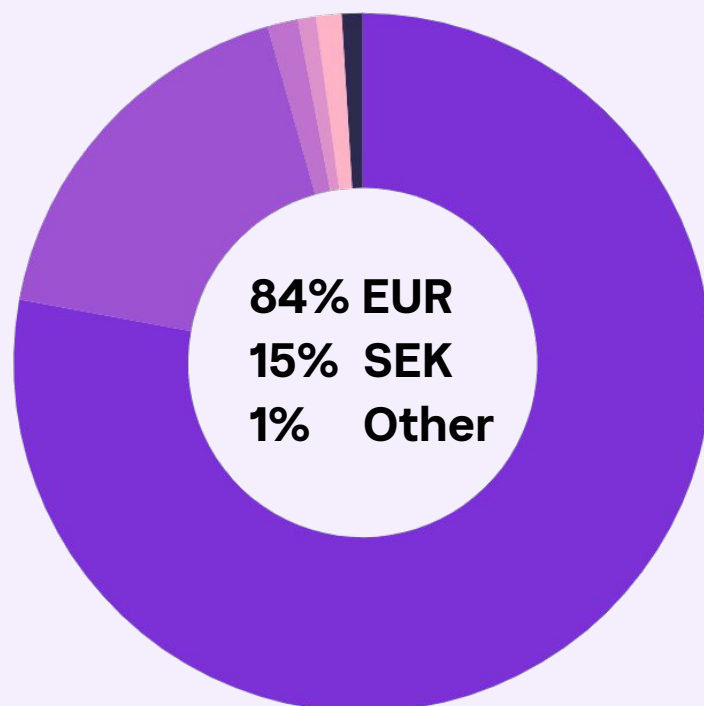
+21%
Fee-based income growth Q223 YoY

¹ Commission Income + Other Operating Income/Total Operating Income.

Strong access to cost effective funding.

Stable sources of funding (June 2023)

- Fixed-term deposits (77.9%)
- Overnight deposits (17.7%)
- Revolving credit facility (1.4%)
- Senior unsecured (0.8%)
- Bilateral loans (1.2%)
- Subordinated debt (1%)



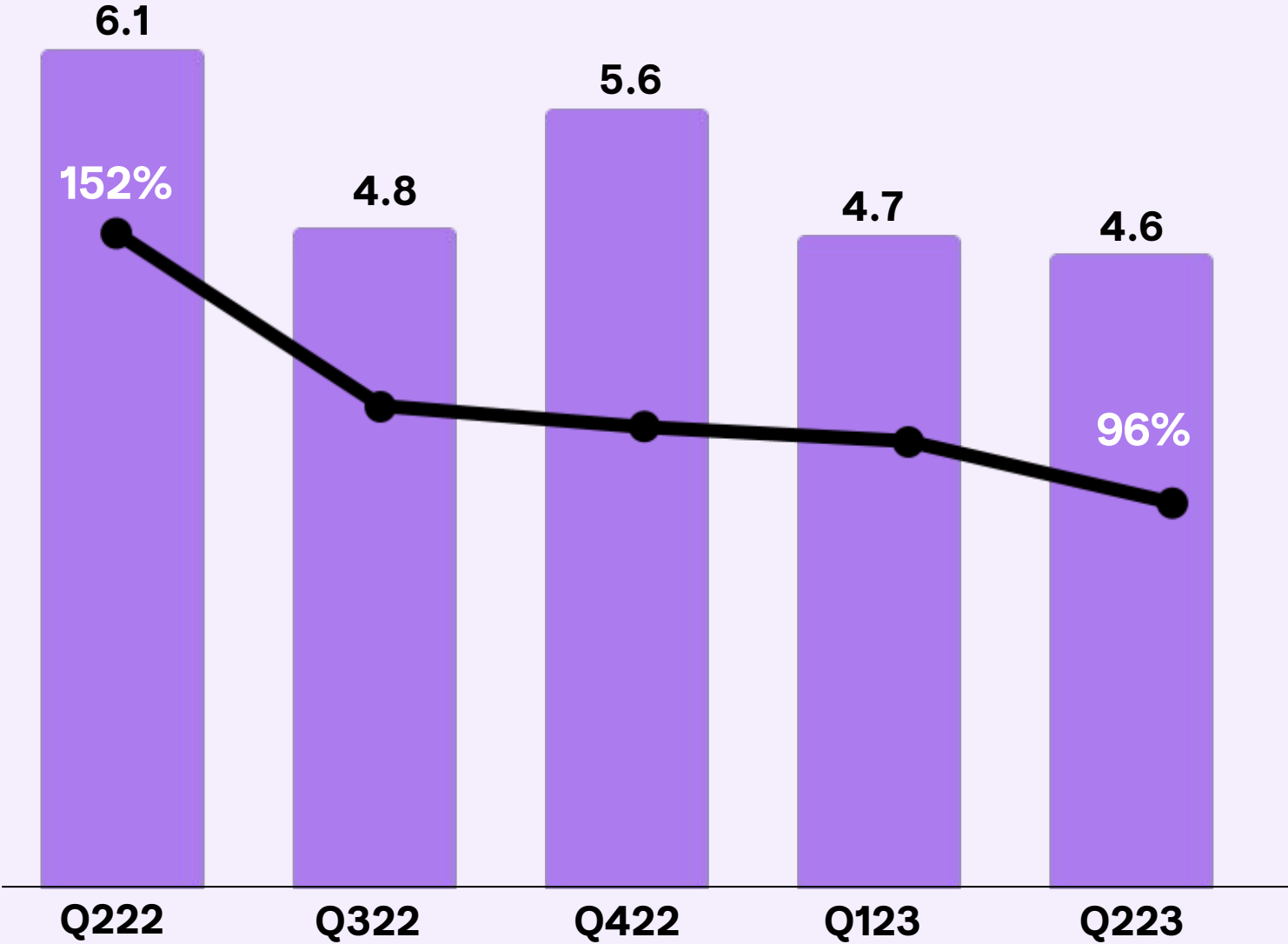
Funding costs represent a small share of our total cost base

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Other costs	0.6	0.4	7%
Adj. operating result	-2.9	0.01	-

Restructuring initiatives have delivered.

Total operating expenses before credit losses progression (SEKbn).

■ Total operating expenses before credit losses (SEKbn) ● Cost to income ratio*

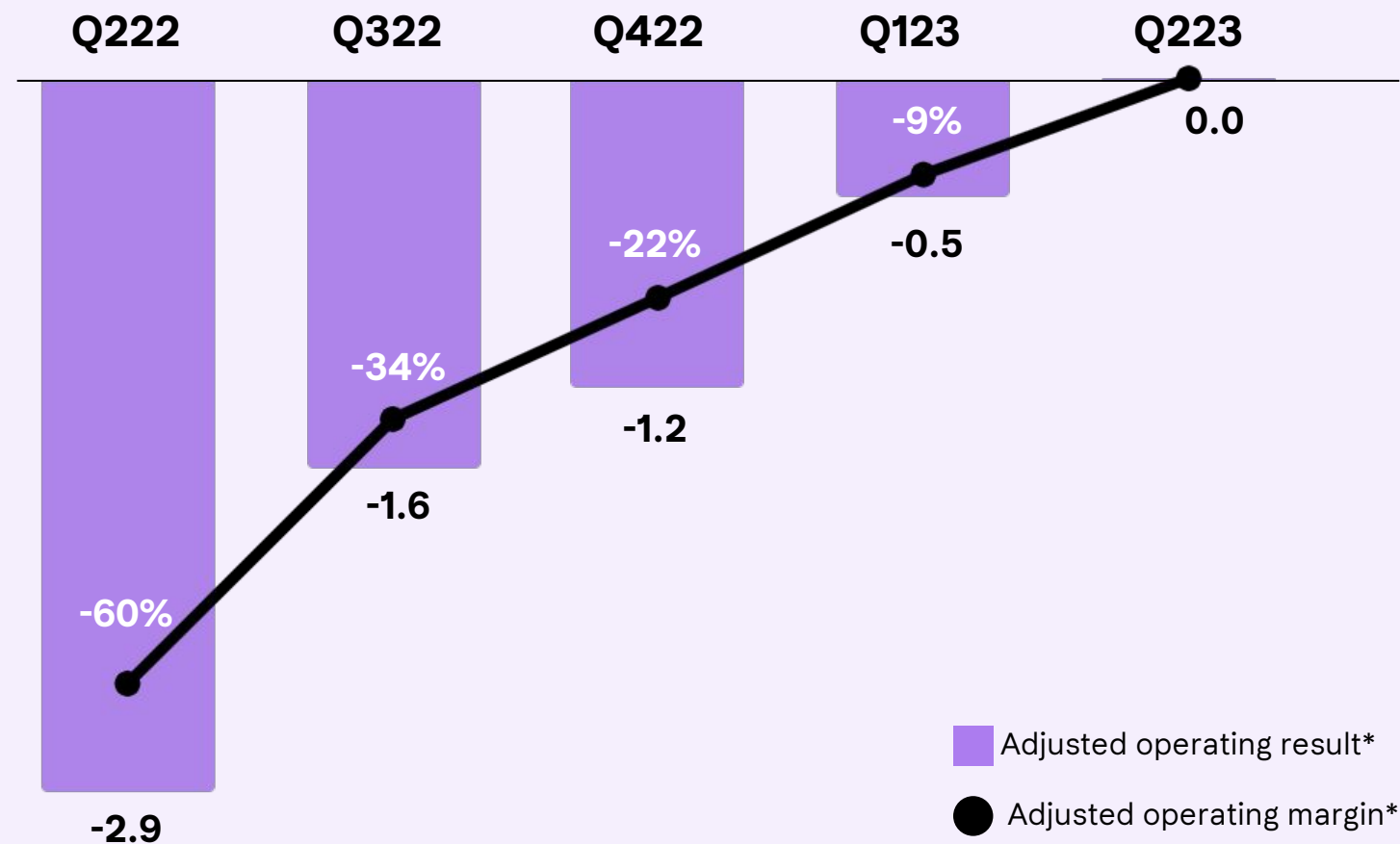


Total operating expenses before credit losses
↓ **24%**
Q223 YoY

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

In Q222 we made the decision to return to profitability and we have delivered ahead of plan.

Adjusted operating results (SEKbn)*



SEK 10m

Adj. Operating Profit in Q223

* Adjusted operating results excluding (a) Restructuring costs; (b) Share-based payments and related payroll taxes and; (c) Depreciation and amortization.

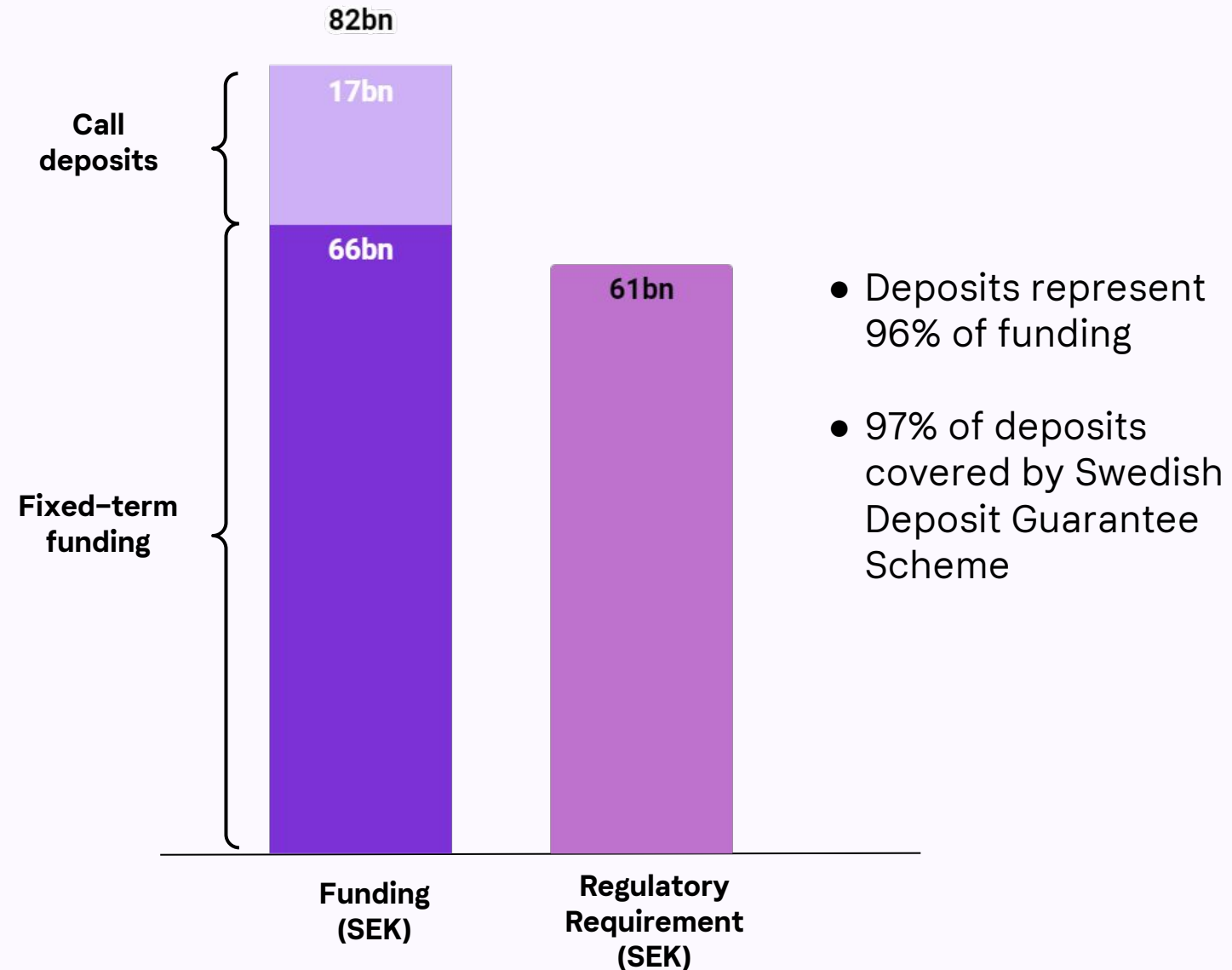
Capital, Liquidity & Funding.



Ultra conservative approach to funding and liquidity.

Large share of fixed term funding (June 2023)

Sufficient buffers to absorb a full outflow of call deposits

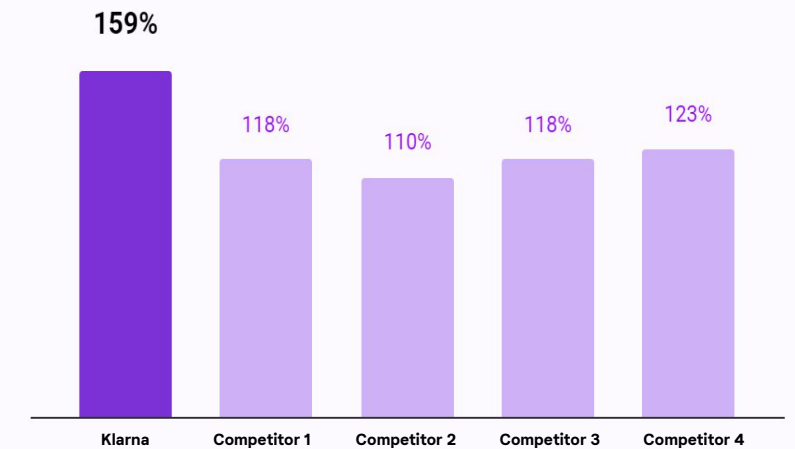
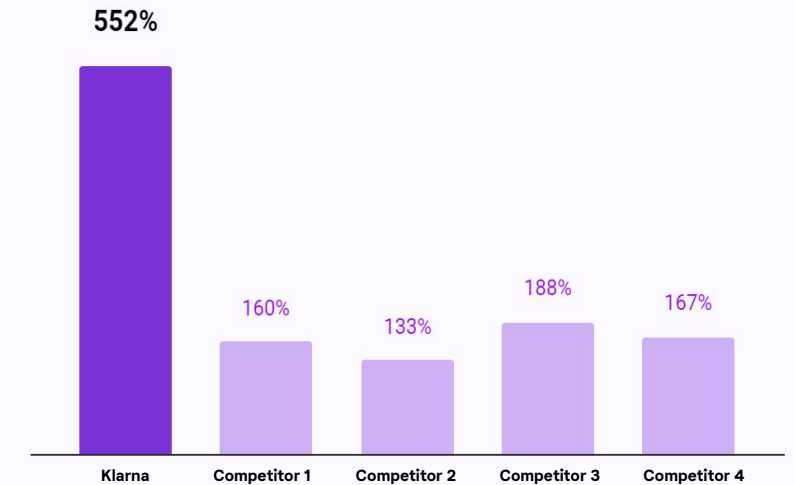


Strong liquidity metrics (June 2023)

Well above regulatory limits and major local banks

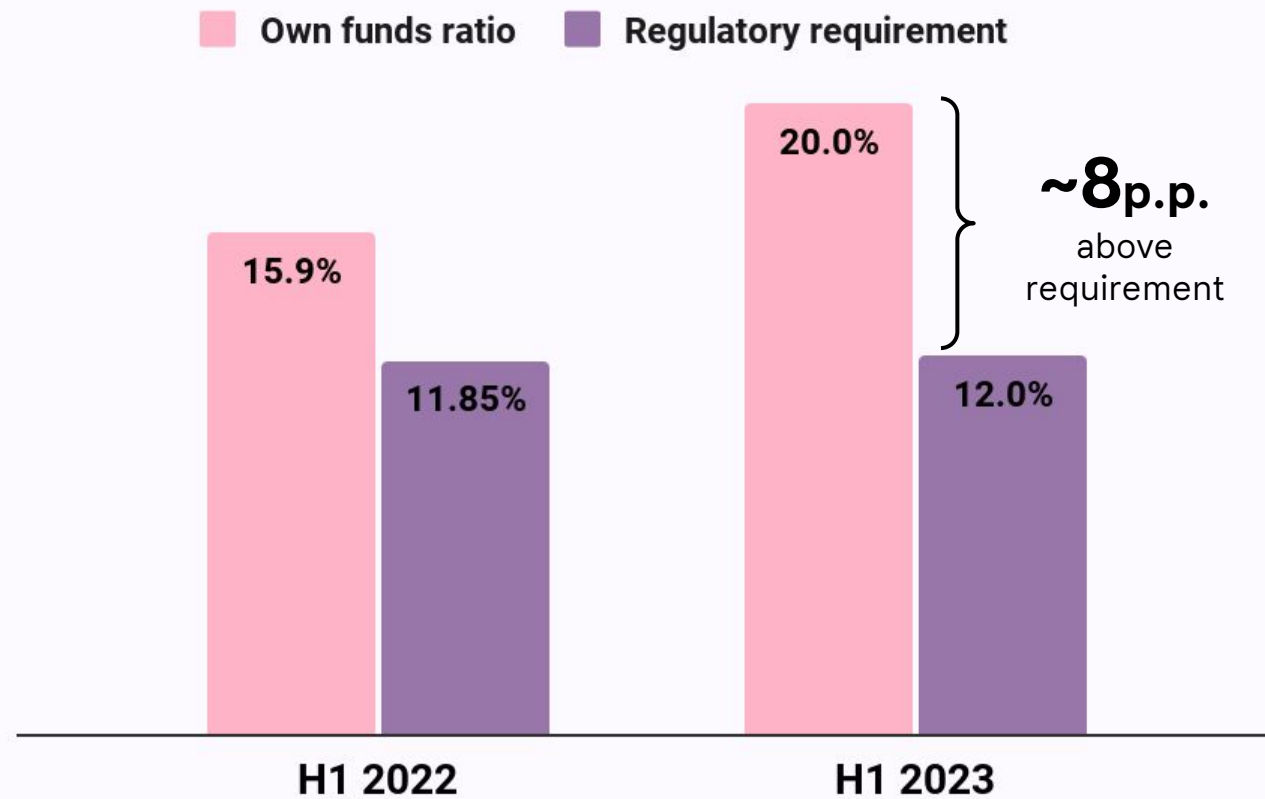
Liquidity coverage ratio (LCR):
~3.4 times
higher than
major local banks

Net Stable Funding Ratio (NSFR):
~1.4 times
higher than
major local banks



Klarna continues to maintain a strong capital position well above regulatory requirements.

Klarna Group Own funds ratio H1 2023 vs H1 2022

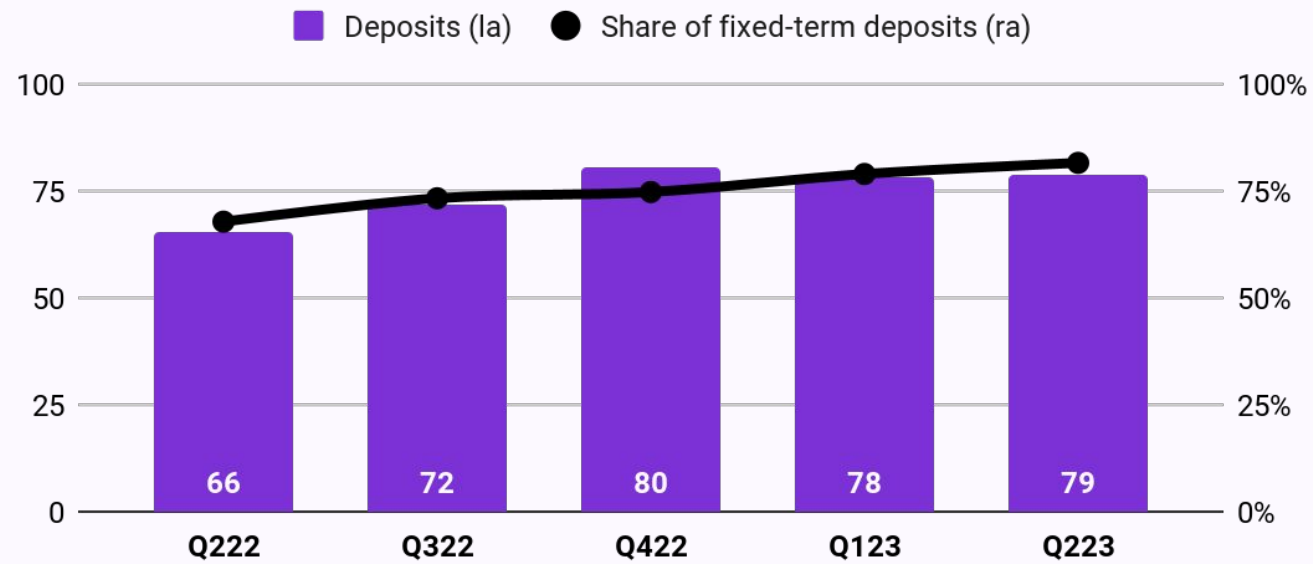


June 30, 2023	SEKm	Capital ratios
CET1 Capital	12,494	18.6%
AT1 Capital instruments	422	
Tier 1 Capital*	12,916	19.2%
Tier 2 Capital instruments	505	
Own Funds*	13,421	20.0%
RWA	67,169	

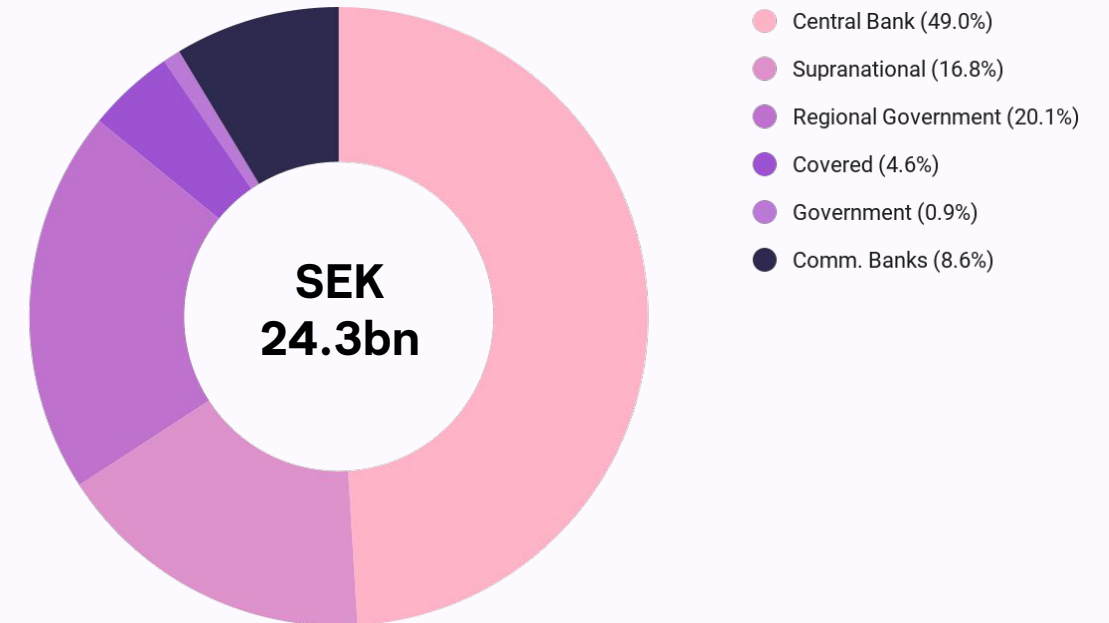
**Figures shown after prudential adjustments.*

Deposits remain primary funding source with increasing share of fixed-term vs. call

Deposit balances, SEKbn



Liquidity reserve (June 2023)



- Overall, **minimal liquidity risk** resulting from Klarna's business model that entails short term lending funded by longer term liabilities.
- Credit portfolio has an average turn of **40 days** vs average fixed deposit duration of **273 days**.

- **Large liquidity reserve** with significant buffer over regulatory requirements as a result of conservative liquidity risk management and pre-funding planned growth which reduces reduces refinancing risks. **49% are reserves at the ECB and the Riksbank.**
- **Klarna's ability to quickly adjust credit parameters** in decision models means new lending volumes can be rapidly reduced (thereby improving liquidity) in response to deteriorating liquidity conditions. If Klarna stopped originating new loans **SEK 56bn (76% of Credit Portfolio)** would be repaid within 3 months.