Annual report Klarna Bank AB (publ)

Organization number: 556737-0431
January - December 2024

Klarna

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Report from the Board of Directors

Business overview

The Board of Directors and CEO of Klarna Bank AB (publ) hereby submits the report for the period January 1 – December 31, 2024. This report presents the financial statements for Klarna Bank AB (publ) and consolidated financial statements for the company and its subsidiaries as well as the corporate governance report. The report has been prepared in millions of Swedish kronor (SEK) unless otherwise stated.

Information about the business

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

Klarna is a technology company building the next-generation commerce network, with a mission to reimagine how consumers spend and save in their daily lives. We help people save time, money and reduce financial worry.

We have built one of the largest commerce networks in the world, measured by the number of consumers and merchants, serving approximately 93 million active Klarna consumers and more than 675,000 merchants in 26 countries as of December 31, 2024, and facilitating $105 billion of GMV in 2024.

Our flexible and personalized products, trusted consumer brand, global distribution and proprietary scalable infrastructure are the foundations enabling us to become our consumers' everyday spending and saving partner, available everywhere and for everything. Through our history, we have consistently innovated and challenged the status quo, evolving our network from a consumer-focused payments tool to a global commerce network that enables merchant success.

Business results

Net operating income

In FY24, Klarna's GMV[1] grew by 15% year-over-year (YoY) after adjusting for the sale of KCO and the impact of foreign currency fluctuations[2]. On a total basis, GMV increased by 13% YoY to SEK 1,111b (FY23: SEK 981b). Total net operating income increased 25% YoY to SEK 25.4b in FY24 (FY23: SEK 20.4b) as we accelerate commerce for merchants while helping consumers save time and money, and worry less about their finances.

Commission income - primarily the fees merchants pay Klarna to boost conversion, AOV[3], and retention, increased 21% to SEK 20.3b (FY23: SEK 16.8b). This is due to higher consumer adoption and the expansion of global merchant partnerships, now exceeding 675k.

[1] GMV is the total monetary value of products and services sold through the Klarna network over a given period of time.
[2] Year-over-year change is calculated by adjusting GMV for (1) the sale of KCO and (2) the impact of foreign currency fluctuations. The impact of foreign currency fluctuations is calculated by translating the reported amounts in the current period using the exchange rates in use during the comparative prior period.
[3] "AOV" means average order value, measured by dividing our GMV for a period by the number of transactions conducted on our network in that period.

Interest income rose 25% YoY to SEK 7.2b (FY23: 5.7b), driven by growth in our Fair financing solutions and higher returns on liquid assets held with other credit institutions. Interest expenses accounted for 18% of total operating expenses, increasing to SEK 4.6b at the end of the period (FY23: SEK 3.1b). The increase was driven by a rise in deposits from the public to SEK 106.8b (FY23: SEK 97.1b), supported by strong consumer demand for savings accounts in Germany and Sweden.

Operating expenses

Total operating expenses before credit losses have remained flat at SEK 19.7b, as Klarna leveraged generative AI to drive productivity and efficiency gains while simultaneously growing GMV by 15% when adjusted for the divestment of Klarna Checkout.

Credit losses as a percentage of GMV remained stable at less than half a percent of GMV, rising by 8bps from 0.41% to 0.49%, partly due to US growth outpacing more established markets. In 2024, credit losses rose by 35% YoY to SEK 5.4b (FY23: SEK 4.0b) whilst GMV grew 13% YoY. Credit losses in the income statement reflect provisions for future losses and realized losses associated with Klarna's operating activities during the period, including consumer credit losses, merchant counterparty losses,and other related credit losses.

Klarna Bank AB (publ) operating result for the period was SEK 0.3b (FY23: SEK (3.3)b) improving SEK 3.5b. Net result for the period grew to SEK 0.1b (FY23: SEK (2.6)b) improving by SEK 2.7b.

Balance sheet

Loans to the public at December 31, 2024, increased 9% YoY to SEK 94.0b (FY23: SEK 86.1b) as a result of GMV growth across key markets. It’s important to note this does not represent all loans originated in FY24, this is because the average duration of our loans is approximately 40 days and 85% of our loans were three months or less in duration. Outstanding loans at December 31 represent only those loans yet to be repaid. This rapid turnover rate is a key factor in our efficient use of capital to generate revenues, ensuring an asset-light balance sheet, setting us apart from more traditional banks whose longer loan durations tie up capital for extended periods. It also allows us to quickly react to market changes. The CET1 ratio for Klarna Holding AB is 16.8% (FY23: 16.2%).

Branches abroad

Klarna Bank AB (publ) operates Klarna Bank AB Danish Branch, Klarna Bank AB French Branch, Klarna Bank AB Irish Branch, Klarna Bank AB German Branch, and Klarna Bank AB UK Branch.

Interactions with regulators

In the US, the CFPB extended credit card regulations to BNPL products in May, aligning many of these regulations with Klarna's existing protections, such as rights to disputes and returns. We worked closely with the CFPB, receiving positive feedback as the only BNPL company granted a pre-effective-date meeting. The CFPB announced leniency for enforcement, provided companies are making compliance efforts. Additionally, we engaged with Congressional leaders to highlight BNPL's positive impact on consumers and collaborated with New York State policymakers on potential BNPL legislation. While this legislation was not passed, we expect to continue discussions in 2025.

In Sweden, we supported efforts to address consumer over-indebtedness by responding to public consultations on tapered interest deductions and licenses for fast-loan providers. These proposals aim to increase scrutiny on risky credit providers, which Klarna supports. We participated in a Riksdag Civil Committee hearing, hosted a roundtable discussion during Almedalen Week, and shared insights with the Swedish AI Commission to inform their final report to the government. As part of our regulatory dialogue, we continue engaging with the SFSA, which recently issued Klarna Bank AB a remark (Sw. anmärkning) and a SEK 500m fine for AML/CFT compliance. While no violations were found in our transactions, the SFSA at the time deemed aspects of our KYC, CDD, and risk management insufficient under the Swedish AML Act.

In Germany, we engaged with national policymakers, including the German Bundesbank, on topics such as the EU Consumer Credit Directive (CCD), the EU Payments Package, and amendments to the Federal Data Protection Act on credit scoring. Klarna also collaborated with the national government and OECD on financial education, contributing to workshops and consultations for Germany's financial literacy strategy.

In the EU, we worked with national lawmakers on the two-year transposition of the 2nd Consumer Credit Directive (CCD), supporting its proportionate approach to BNPL. Klarna also responded to consultations on the Payment Services Directive 3, Payment Regulation 1, and Financial Data Access initiatives. Ongoing discussions aim to promote faster, safer payments, with further negotiations expected under the new political mandate in 2025 and implementation by 2026.

In the UK, we engaged with stakeholders on BNPL regulation, supporting the Government's October 2024 proposals. These thoughtful proposals marked significant progress, and we provided detailed feedback through consultations. Looking ahead to 2025, we will work closely with the Government and Financial Conduct Authority to finalize regulations.

Significant events during the year

- On 23 May 2024, Klarna Bank AB (publ) resolved to issue 5,727,931 shares to Klarna Holding AB (publ) following receipt of a capital contribution
- On 27 June 2024, Klarna Bank AB (publ) resolved to issue 4,219,445 shares to Klarna Holding AB (publ) and Klarna Midco AB following receipt of a capital contribution.
- On September 23, 2024, Klarna Bank AB (publ) acquired 100% of the shares of Sofort GmbH from Klarna Germany Holding GmbH. On December 17, 2024, a cross-border merger between Sofort GmbH and Klarna Bank AB (publ) was completed. Sofort GmbH was merged into Klarna Bank AB (publ), which operates in Germany through its German branch. See more information about this in note 42.
- On 01 October 2024, Klarna completed the divestment of its Klarna Checkout ("KCO") operation to a consortium of investors. This transaction allows Klarna to focus on its flexible payment methods and partner more closely with payment service providers. See note 41 for more information.
- On 16 October 2024, Klarna announced a multi-year forward flow agreement to offload substantially all of its short-term, interest-free product receivables in the UK.

Future development

Our mission is to reimagine how consumers spend and save in their daily lives. We help people save time, money and reduce financial worry. We envision a world where Klarna empowers everyone, everywhere, through seamless commerce experiences—as a personalized, trusted assistant making financial empowerment effortless. We will continue to invest in our products and services including the Klarna app, Card, bank accounts, open banking and our marketing services to create a strong platform for future growth.

Proposed treatment of unappropriated earnings

The Board and the CEO propose to the Annual General Meeting that the non-restricted equity of SEK 17,471,323,066 on Klarna Bank (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward. A detailed proposed treatment of unappropriated earnings is shown in Note 17.

Sustainability report

In accordance with the Annual Accounts Act chapter 6, 11§, Klarna Bank AB (publ) does not prepare a statutory sustainability report since an Environmental, Social and Governance report (ESG) the meets the legal reporting requirements is prepared by the parent company Klarna Holding AB (publ). Klarna Holding AB (publ) publishes the ESG report at Klarna's website: www.klarna.com.

Corporate Governance Report

About Klarna

Klarna Bank AB (corporate registration no. 556737-0431) ("Klarna") is a Swedish public limited liability company licensed to carry out banking activities under the supervision of the Swedish Financial Supervisory Authority (SFSA). Klarna is categorized by the SFSA as a category 2 institution[1].

Klarna provides its financial services in other EEA countries through passporting its license in accordance with EU directive 2013/36/EU and by establishing local branches. Klarna also offers its financial services outside the EEA through the establishment of local subsidiaries in certain jurisdictions. Klarna's corporate governance framework and approach apply to Klarna Holding AB, Klarna Bank AB and all branches and subsidiaries.

Up until 23 May 2024, Klarna Holding AB was the ultimate parent company of the Klarna Group. Klarna Holding AB remains the parent entity of Klarna Bank AB. Therefore this report includes relevant information for both Klarna Holding AB and Klarna Bank AB. For the purposes of this report, Klarna Holding AB and its subsidiaries are collectively referred to as the "Banking Group". Since 23 May 2024, Klarna Group Plc serves as the ultimate parent company of the Klarna Group, which refers to the consolidated structure of Klarna's various entities, organized under different groups for financial and regulatory purposes and which includes Klarna Holding AB. Klarna Group Plc, as a UK based entity, is not required to be included in the scope of this specific Corporate Governance Report. As such, its mention is limited to essential instances for clarity and context.

The Corporate Governance Report is produced according to the Swedish Annual Accounts Act (SFS 1995:1554). Klarna is not obliged to nor does it comply with and does not apply the Swedish Corporate Governance Code (SCGC).

When signing the annual accounts on April 24, 2025, the board of directors of Klarna Bank AB (the "Board") also approved the Corporate Governance Report.

Governance and Oversight

Framework for corporate governance

External framework

In addition to general laws, rules and industry practices, Klarna must also comply with the detailed regulations specific to banks and payment service providers. These include the Swedish Banking and Financing Business Act (SFS 2004:297) and rules and recommendations issued by the SFSA with regard to, among other things, capital and liquidity requirements as well as rules on internal governance and control. As Klarna has corporate bonds listed at Nasdaq Stockholm, Klarna is also subject to Nasdaq Stockholm's Rule Book for Issuers of Fixed Income Instruments.

[1] The categorization aims to reflect Klarna's systematic importance and is based on its size, complexity and scope of activities.

Internal framework

In order to ensure compliance with external regulations Klarna operates an internal framework which incorporates the external requirements on corporate governance.

Of primary importance are the Rules of Procedure of the Board (which include how to address conflicts of interest for board members, and the instruction for the CEO). The Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders, and the Policy for Klarna Bank AB Board Committees have been adopted by Klarna Bank AB's board of directors. The Policy for Klarna Bank AB Board Committees includes instructions for the operation of the board's committees. Additionally, Klarna's Code of Conduct provides an ethical framework for the conduct of all members of governing bodies and employees.

Klarna has a framework of approved policies and instructions. These are important tools for the Board and the CEO in their governing and controlling roles, as well as defining the roles, requirements and expectations of the second and third lines of defense within risk ownership and all employees in the fulfillment of their roles. These policies include, for example, the AML & CTF Policy, Compliance Policy, Conduct Risk Policy, Conflict of Interest Policy, Credit Policy, Data Privacy Policy, the Global Work Environment Policy, Remuneration Policy, and the Risk Management Policy.

These mechanisms, together with the articles of association, constitute the internal framework that regulates corporate governance at Klarna.

Articles of Association

The articles of association are the overall set of rules for the company which are decided by the shareholders at the general meeting. The Swedish Companies Act sets certain minimum demands on what information they should contain. The articles of association are available at the Swedish Companies Registration Office and on Klarna's website. Amendments to the articles of association are resolved by the general meeting pursuant to Swedish law and, for Klarna Bank AB, are subject to the approval of the Swedish Financial Supervisory Authority.

Klarna's articles of association can be found at: https://www.klarna.com/international/about-us/corporate-governance/investor-relations/

General meeting

The general meeting is Klarna's highest decision-making body where shareholders exercise their voting rights. At the general meeting decisions are taken regarding matters including the annual report, the income statement and balance sheet, dividend, election of the board of directors and auditors, and remuneration for board members and auditors.

Voting rights

All shareholders, registered in the Shareholders' Register and having notified their attendance properly, have the right to participate in the General Meeting and to vote for the full number of their respective shares.

Mandate to repurchase and convey own shares

The annual general meeting 2024 neither decided on authorization to acquire nor convey own shares in Klarna. Consequently, the board of directors did not have such authorizations in 2024.

Mandate to issue shares and warrants

The annual general meeting 2024 did not decide to authorize the Board to issue any new shares or warrants.

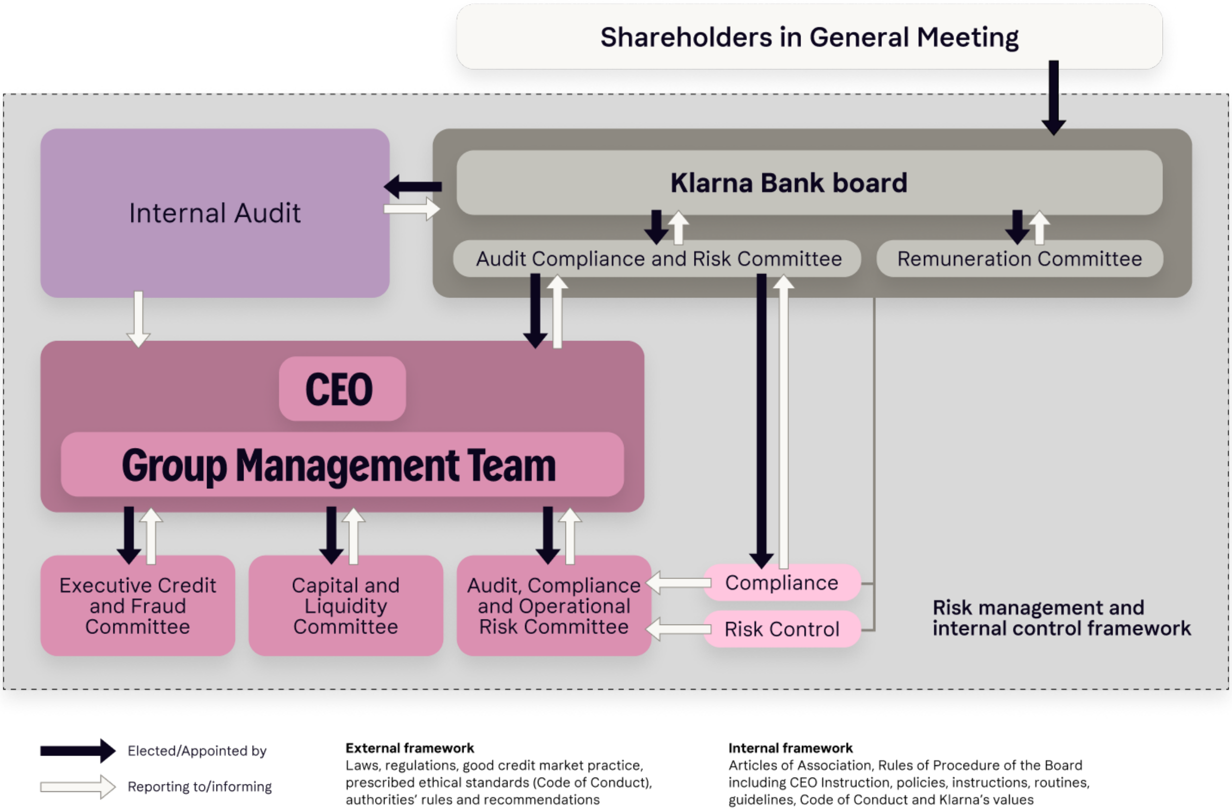
Klarna's qualified shareholders

Klarna Holding AB (publ) shareholders ≥ 10% are as follows:

Shareholder	Shareholding	% of votes/ ownership
Klarna Group Holdco Ltd	Direct	99.9 %
Klarna Group plc	Indirect	99.9 %
Aktieselskabet Af 20.3.2020 (a subsidiary of Heartland A/S)	Indirect	10.1 %

Klarna Bank AB is 95.1% directly and 99.7% indirectly owned by Klarna Holding AB.

Klarna Bank AB operating entity corporate governance structure



Composition of administrative, management, and supervisory bodies Klarna Bank AB

Klarna's governance structure for the entity Klarna Bank AB is anchored by its board of directors, Group Management Team, Audit, Compliance & Risk Committee (ACRC), and Remuneration Committee (RemCo). These bodies collectively ensure effective oversight and strategic direction aligned with Klarna's commitment to sustainability, transparency, and long-term growth.

The board of directors

The Board is the highest decision-making body in Klarna's structure for management and control. The Board is responsible for the company’s strategy, organization and for the management of the company's operations. The Board also holds the ultimate responsibility for ensuring that Klarna’s corporate governance arrangements meet expectations, and are implemented effectively throughout the organization.

The board members are elected by the shareholders at the annual general meeting for a one-year term of office extending through to the next annual general meeting. Klarna is not required to have a nomination committee and as such the Board has not adopted a nomination policy.

The Board has adopted rules of procedure that regulate the Board’s role and ways of working. The board of Klarna Bank AB has also adopted a Policy for Klarna Bank AB Board Committees. The Board has overall responsibility for the activities carried out within Klarna and has the following duties, among others:

- Deciding on the nature, direction and strategy of the business as well as the framework and objectives of the activities.
- Evaluating the effectiveness of operations in relation to the agreed strategy, framework and objectives on a regular basis.
- Ensuring that the business is organized in such a way that the accounting, treasury management and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the business are identified, defined, measured, monitored and controlled in accordance with external and internal framework, including the articles of association. The Board is also responsible for setting Klarna’s risk appetite and policies establishing the principles for risk management.
- Deciding on major acquisitions and divestments as well as other major investments,
- Selecting, monitoring and planning the succession of the board members,
- Appointment or dismissal of the CEO, the Chief Risk Officer, the Chief Compliance Officer and the Chief Information Security Officer.
- Deciding on appointment and dismissal of the Internal Auditor (outsourcing partner and/or individual).
- Deciding on remuneration of the CEO, the members of the CXO team, and the heads of the control functions (Risk Control and Compliance).

The Chairperson

The Chairperson of the Board organizes and leads the work of the Board. According to the Rules of Procedure of the Board, the Chairperson will maintain regular contact with the CEO, ensuring that the Board receives sufficient information and documentation to effectively assess Klarna's current position, financial plans, risks and risk management and future development, and deliberate with the CEO on strategic issues.

Chief Executive Officer

Klarna's Chief Executive Officer (CEO) is responsible for the day-to-day management of Klarna's activities in accordance with the external and internal frameworks. The CEO reports to the Board.

Klarna's CEO is also a board member and participates in all board meetings, except on matters in which the CEO has an interest that may be in conflict with the interests of Klarna, such as when the CEO's work is evaluated. Other members of the Group Management Team participate as required by invitation from the Board or CEO.

As part of the Rules of Procedure of the Board, the Board has adopted an instruction for the CEO's work and duties which also regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO appoints the heads of corporate functions (CXOs). The Board appoints the heads of the control functions. The CEO is Sebastian Siemiatkowski.

Composition of the Boards of Directors

The board of directors of Klarna Holding AB consists of:

Director	Role
David Fock	Chief Product and Design Officer (Chairperson)
Sebastian Siemiatkowski	Chief Executive Officer
Camilla Giesecke	Chief Operating Officer

The board of directors for Klarna Bank AB, comprising both executive and non-executive members, is responsible for the company's strategy, organization, and operational management, holding significant responsibilities in ensuring adherence to business conduct standards.

Director	Executive / Non-executive
Michael Moritz	Non-executive (Chairperson)
Sebastian Siemiatkowski	Executive, Chief Executive Officer
Sarah Smith	Non-executive
Lise Kaae	Non-executive
Omid Kordestani	Non-executive
Roger W. Ferguson Jr.	Non-executive
Andrew Reed	Non-executive

David Fock, Chairman of the Klarna Holding AB board, Chief Product and Design Officer

David Fock became a member and the Chairperson of the Klarna Holding AB board of directors in October 2024. He has served as Klarna's Chief Product and Design Officer since February 2015. Mr. Fock joined Klarna in August 2010 and prior to his current role held various positions in design and sales, most recently as Klarna's Vice President of Product, Commerce. Prior to that, from January 2008 to May 2010, Mr. Fock founded and operated HML Systems AB, an online retailer, and served as the Chief Executive Officer of Clarion Bilstereo AB, a distributor of electronic products, from January 2006 to December 2007.

Camilla Giesecke, Klarna Holding AB board member, Chief Operating Officer

Camilla Giesecke became a member of the Klarna Holding AB board of directors in October 2024. She has served as Klarna's Chief Operating Officer since August 2022. Ms. Giesecke joined Klarna in February 2017 and held various leadership positions prior to her current role, most recently as Klarna's Chief Expansion Officer. From August 2006 through January 2017, Ms. Giesecke served as an investment professional at Investor AB, a Swedish investment firm, and in various leadership roles at its portfolio companies, such as Permobil AB, a medical equipment manufacturer, and Saab AB, a Swedish aerospace and defense company. Prior to that, Ms. Giesecke worked as an M&A analyst at J.P. Morgan Chase & Co. in London, United Kingdom. She holds a M.Sc. in Economics and Business Administration from the Stockholm School of Economics.

Sebastian Siemiatkowski, Klarna Bank AB and Klarna Holding AB board member, CEO

Sebastian Siemiatkowski co-founded Klarna in 2005 and has served as a member of the board of directors and as Klarna's Chief Executive Officer since February 2005. Under his leadership, Klarna has grown from a Stockholm-based startup into one of the world's leading fintech companies, redefining the shopping and payments experience for millions of consumers and hundreds of thousands of merchants globally. Mr. Siemiatkowski has played a key role in shaping Klarna's strategic vision, product innovation, and international expansion.

Beyond Klarna, he served as an advisory board member of SSE Business Lab, the startup incubator of the Stockholm School of Economics, from May 2015 to June 2019. He is a frequent speaker on financial technology, entrepreneurship, and the future of commerce. Mr. Siemiatkowski holds an M.Sc. in Economics and Business from the Stockholm School of Economics.

Michael Moritz, Chairman of the Klarna Bank AB Board

Sir Michael J. Moritz KBE has served as a member of our board of directors since July 2010 and as the Chairperson of our board of directors since December 2020. He currently serves as senior advisor and member of the board of directors of Sequoia Heritage, a private investment partnership, and from 1986 to July 2023, he served as a partner at Sequoia Capital, a venture capital firm. In addition to our board of directors, Mr. Moritz currently serves on the boards of directors of Maplebear Inc. (doing business as Instacart), a delivery company, and several private companies, including TrialSpark, Inc., a pharmaceutical company. He previously served on the boards of directors of, among others, LinkedIn Corporation, a professional networking company, Green Dot Corporation, a financial technology company, PayPal Holdings, Inc., a digital payments company, Alphabet Inc., a multinational technology conglomerate, and Yahoo!, Inc., a web services provider. Mr. Moritz also serves as chairman of Crankstart. He holds a bachelor's degree in History from Christ Church, University of Oxford, and an MBA from the Wharton School at the University of Pennsylvania.

Lise Kaae, Klarna Bank AB board member

Lise Kaae has served as a member of our board of directors since December 2020. She has served as the chief executive officer of Heartland A/S, a holding and investment company, since August 2017. Ms. Kaae previously served as the chief financial officer of Bestseller A/S, a fashion company, from May 2008 to July 2017. Prior to that, she worked in various roles at entities affiliated with PricewaterhouseCoopers International Limited, an accounting firm, from August 1992 to April 2008, most recently as a partner. In addition to our board of directors, Ms. Kaae has served as a member of the boards of directors of Novonesis A/S, an international biotechnology company, since March 2024, of Bestseller A/S, since November 2017, of Normal A/S, a Danish retail chain, since October 2014, and of VKR Holding A/S, a holding company, since March 2020, and currently serves as a managing director and/or member of the board of directors of several subsidiaries within, and affiliates of, the Heartland group. She holds an MSc in Business Economics and Auditing from the Aarhus School of Business.

Sarah Smith, Klarna Bank AB board member

Sarah Smith has served as a member of our board of directors since December 2020. She previously worked at The Goldman Sachs Group, Inc. ("Goldman Sachs"), a global financial firm. Ms. Smith joined Goldman Sachs in 1996 and was named a managing director in 1998 and a partner in 2002. During her tenure, Ms. Smith served as the controller and chief accounting officer of the firm until 2017 and subsequently as the chief compliance officer from 2017 to 2020. She then served as a senior advisor to Goldman Sachs from 2020 until her retirement in 2021. In addition to our board of directors, Ms. Smith has served as a member of the board of directors of Aon plc, a global insurance company, since April 2023, and several private companies, including Via Transportation, Inc., a re-engineering public transit company, since June 2021, and 98point6 Inc., a healthcare software company, from February 2021 to March 2024. She has also served as a member of the board of trustees of the Financial Accounting Foundation, the parent organization of the Financial Accounting Standards Board and the Governmental Accounting Standards Board, since January 2021, and has served as a trustee of the Nuveen Churchill Private Capital Income Fund since April 2022. Ms. Smith holds a Dip. in Accounting from the City of London University and is a fellow of the Institute of Chartered Accountants in England and Wales.

Andrew Reed, Klarna Bank AB board member

Andrew Reed has served as a member of our board of directors since March 2024. Mr. Reed is a Partner at Sequoia Capital, a venture capital firm, which he joined in February 2014. In addition to our board of directors, Mr. Reed has served as a member of the board of directors of several private companies, including Vanta Inc., a security and compliance automation company, since April 2021, Bolt Technology OÜ, a mobility and delivery company, since January 2022, Figma, Inc., a design platform, since February 2024, and Strava, Inc., a social networking company for athletes, since November 2023. He holds a B.A. in Economics and Classics from Amherst College.

Omid Kordestani, Klarna Bank AB board member

Omid R. Kordestani has served as a member of our board of directors since December 2020. He previously served as the executive chairman of Twitter, Inc. (now X Corp.), a social networking company, from October 2015 to June 2020, and as a member of its board of directors until October 2022. Prior to that, he worked in various leadership roles at Alphabet Inc., a multinational technology conglomerate, from May 1999 to April 2009 and then again from August 2014 to October 2015, most recently as a special advisor to the chief executive officer and the company's founders. In addition to our board of directors, Mr. Kordestani has served as a member of the board of directors of Pearson, plc, a learning company, since April 2022, and as its chairman since May 2022. He holds a B.S. from San Jose State University and an M.B.A. with a focus on Organizational Leadership from Stanford University.

Roger W. Ferguson Jr., Klarna Bank AB board member

Roger W. Ferguson, Jr. has served as a member of our board of directors since May 2021. He has been a partner and the chief investment officer and chairman of the Investment Committee of Red Cell Partners, an incubation and venture capital enterprise focused on the healthcare and defense sectors, since August 2022. Mr. Ferguson served as the president and chief executive officer of TIAA, a financial services company, from April 2008 to April 2021. From 2006 to 2008, he served as the chairman of Swiss Re America Holding Corporation, head of financial services and a member of the executive committee of Swiss Re, a global reinsurance company. Prior to that, Mr. Ferguson was a member of the Board of Governors of the U.S. Federal Reserve System from 1997 to 2006 and served as its vice chairman from 1999 to 2006. He also worked as an associate and partner at McKinsey & Company, a global management consulting firm, from 1984 to 1997. Mr. Ferguson began his career as an attorney at the New York City office of Davis Polk & Wardwell LLP. In addition to our board of directors, Mr. Ferguson has served as a member of the boards of directors of Alphabet Inc., a multinational technology conglomerate, since June 2016, where he serves as chair of the audit committee, International Flavors & Fragrances, Inc., a creator of flavors and fragrances, since April 2010, where he serves as chair of the board of directors, and Corning Incorporated, a manufacturing company, since April 2021, where he serves as chair of the compensation committee. Mr. Ferguson currently serves on the boards of the Institute for Advanced Study and the Memorial Sloan Kettering Cancer Center. He is a fellow of the American Philosophical Society and the American Academy of Arts & Sciences and is a member of the Smithsonian Institution's Board of Regents, the Economic Club of New York, the Council on Foreign Relations and the Group of Thirty. Mr. Ferguson holds a B.A in Economics, a J.D., and a Ph.D. in Economics, all from Harvard University.

Board committees

The overall responsibility of the Board cannot be delegated. The Klarna Bank AB board of directors has established two separate working committees, the Remuneration Committee and the Audit, Compliance & Risk Committee, to assist the Board in fulfilling the responsibilities outlined above. The duties of the board committees, as well as working procedures, are defined in the Policy for Klarna Bank AB Board Committees. Each committee regularly reports on its work to the Klarna Bank AB board of directors. Committee members are appointed by the Klarna Bank AB board of directors for a period of one year at a time.

Audit, Compliance & Risk Committee

The Audit, Compliance & Risk Committee (ACRC) is responsible for oversight and preparation of all matters related to audit (both internal and external), compliance, risk and financial reporting and related internal control arrangements. ACRC held 9 meetings in 2024 and provided regular updates to the Klarna Bank AB board of directors on matters pertaining to its responsibilities.

Committee member	Role
Sarah Smith	Non-executive (Chairperson)
Lise Kaae	Non-executive
Roger W. Ferguson Jr.	Non-executive (appointed on September 18, 2024)
Mikael Walther	*Non-executive (appointment ended on October 24, 2024)*

Remuneration Committee

The Remuneration Committee (RemCo) is responsible for preparing and presenting proposals to the Klarna Bank AB board of directors on remuneration issues. This duty includes proposals regarding Klarna's Remuneration Policy and on remuneration to members of the Group Management Team. The Klarna Bank AB board of directors has adopted a Remuneration Policy which creates standardized remuneration structures throughout the organization. This is revised when necessary and at least annually.

The RemCo makes a competent and independent evaluation of the Remuneration Policy and Klarna's remuneration system, and presents it to the Klarna Bank AB board of directors on at least an annual basis. The RemCo handles matters within its responsibility on an ongoing basis through correspondence between the committee members. Any formal decisions not covered by its delegation authority are reported to and documented by the Klarna Bank AB board of directors at the closest following board meeting.

Committee member	Role
Omid Kordestani	Non-executive (Chairperson)
Michael Moritz	Non-executive
Sarah Smith	Non-executive
Andrew Reed	Non-executive (appointed on December 10, 2024)

Meetings and attendance

The table shows the number of meetings held in 2024 by the board of directors and its committees[1] as well as the attendance of the individual board members:

2024	Klarna Holding AB board of directors[2]	Klarna Bank AB board of directors	Audit Compliance and Risk Committee	Remuneration Committee	Independence in relation to the Company	Independence in relation to significant shareholders
Number of meetings	7	8	9	3		
(of which were held per capsulam)	2	3	–	1		
David Fock[3]	1	–	–	–	No	No
Sebastian Siemiatkowski	7	8	–	–	No	No
Camilla Giesecke[4]	1	–	–	–	No	No
Michael Moritz	6	8	–	3	Yes	Yes
Sarah Smith	6	8	9	3	Yes	Yes
Lise Kaae	6	8	9	–	Yes	No
Andrew Reed[5]	4	7	–	–	Yes	Yes[6]
Omid Kordestani	6	8	–	3	Yes	Yes
Roger W. Ferguson Jr.[7]	6	8	3	–	Yes	Yes
Mikael Walther[8]	6	7	6	–	Yes	No
Matt Miller[9]	1	1	–	–	Yes	No

[1] The committees in the table are committees of the Klarna Bank AB board of directors.
[2] On October 17, 2024, the appointments of Michael Moritz, Sarah Smith, Lise Kaae, Andrew Reed, Omid Kordestani and Roger W. Ferguson Jr., on the Klarna Holding AB board of directors ended. Camilla Giesecke and David Fock (Chair) were appointed as new board members along with Sebastian Siemiatkowski who remained on the board.
[3] David Fock was appointed to the Klarna Holding AB board of directors on October 17, 2024, and only one (1) meeting has taken place since his appointment.
[4] Camilla Giesecke was appointed to the Klarna Holding AB board of directors on October 17, 2024, and only one (1) meeting has taken place since her appointment.
[5] Andrew Reed was appointed to the Klarna Holding AB and Klarna Bank AB boards of directors on March 12, 2024. He was appointed as an additional member of the RemCo on December 10, 2024.
[6] Andrew Reed is a Managing Member in Sequoia Capital and serves as a board member of Klarna Group Plc. Sequoia Capital is a shareholder in Klarna Group Plc, a UK-based entity. Within the framework of the Swedish regulated Banking Group, Sequoia Capital is not regarded as a qualified shareholder; therefore, we have documented Andrew Reed's independence concerning significant shareholders.
[7] Roger W. Ferguson Jr. was appointed to the ACRC on September 18, 2024 and has attended three (3) ACRC meetings since his appointment.
[8] Mikael Walther’s appointment on the Klarna Holding AB board ended on October 17, 2024. His appointment on the Klarna Bank AB board ended on October 24, 2024.
[9] Matt Miller’s appointments on the Klarna Holding AB board and on the Klarna Bank AB board ended on March 12, 2024.

Group Management Team

The Group Management Team is responsible for matters of common concern across corporate functions, strategic issues, business plans, financial forecasts, and reports. CXO meetings are held weekly or as convened by the CEO.

Members of the Group Management Team:

Group management	Role
Sebastian Siemiatkowski	Chief Executive Officer (CEO)
David Fock	Chief Product and Design Officer (CPDO)
Camilla Giesecke	Chief Operating Officer (COO)
Niclas Neglén	Chief Financial Officer (CFO)
David Sandström	Chief Marketing Officer (CMO)
Yaron Shaer	Chief Technology Officer (CTO)
David Sykes	Chief Commercial Officer (CCO)
Joachim Reuss	Chief Risk Officer (CRO)
Harjyot Lidher	Chief Information Security Officer (CISO)
Joaquín Calderón	Chief Compliance Officer
Arvind Varadhan	Chief Credit Risk Officer
Boudien Moerman	Chief Legal Officer (CLO)

Group management committees

The CEO has, besides the Group Management Team, three separate committees at his disposal for the purpose of managing operations. Group Management Committee meetings are held monthly.

Executive Credit and Fraud Committee, which is responsible for reviewing credit risk results and trends as well as steering the company's overall generation of credit risk.

Capital and Liquidity Committee, which is responsible for assessment and decision within the internal capital assessment process.

Audit, Compliance and Operational Risk Committee, which is responsible for providing oversight and retaining executive responsibility for all Audit, Compliance and Operational Risk related matters.

Representation of employees and other workers

Klarna engages directly with its workforce and through workers' representatives to ensure a comprehensive understanding of employee needs and perspectives. Engagement occurs during onboarding, feedback sessions, and significant organizational changes. Additionally, continuous communication is fostered through management chats, business updates, and company wide All-Hands meetings, ensuring direct and transparent information flow between management and employees. Additionally, team and domain leads provide weekly updates on challenges and progress, enhancing the efficiency of information sharing. Klarna's Chief Operating Officer oversees all employee engagement processes, ensuring the integration of employee feedback into company strategies and operations.

Experience and training

Members of Klarna’s administrative, management, and supervisory bodies are assessed for both theoretical and practical experience relevant to banking, financial markets, legal requirements, strategic planning, risk management, accounting, auditing, and other areas critical to Klarna’s business. This assessment includes evaluating their past positions, length of service, and the complexity of businesses they have managed. Additionally, Klarna’s leadership team brings extensive global experience, having worked with companies across various sectors and geographic locations worldwide, which strengthens Klarna’s capacity to navigate diverse markets and regulatory landscapes.

To ensure that the board of directors, the CEO, and key function holders have the right skills, knowledge, and experience, the Board has adopted the Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders. This policy assesses the individual's experience and reputation to ensure they are a good fit for the company. It also evaluates their ability to commit the time and effort needed to perform their duties effectively.

The COO is responsible for the assessment at appointment of members of the Group Management Team (excluding the CEO) and key function holders and subsequently at least every two years, or sooner if events observed through ongoing monitoring suggest a review would be prudent. When a new board member or a new CEO assumes their duties, they are also externally assessed by the Swedish Financial Supervisory Authority.

The CEO's performance and qualifications are evaluated in the same manner as board members. According to the Rules of Procedure of the Board, the Board ensures that the CEO fulfills his duties. The Board is responsible for appointing and retains the authority to dismiss the CEO.

The board of Klarna Bank AB sets an annual training plan, and the Compliance Function is responsible for its implementation. The training plan includes an orientation program for new Board members and ongoing training on important topics for individual members and the Board as a whole. This ensures that the Board is continuously informed and updated on relevant matters that affect the company.

Diversity

Klarna recognizes that having a diverse Board is crucial to ensuring the Board can perform its duties effectively and has the knowledge and experience needed to navigate the various social, business, and cultural conditions of the markets in which Klarna operates. The Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders emphasizes that all Board assignments should be made based on merit, with the goal of maintaining and enhancing the Board's overall effectiveness. In order to achieve this, Klarna seeks a wide range of qualifications and competencies, and places a strong emphasis on diversity in terms of age, gender, geographical background, and educational and professional experience. Klarna strives to ensure that board members complement each other to cover expertise vital for Klarna.

Risk management, risk reporting, and control functions

Risk management is central to Klarna's operating model and underpins all activities conducted throughout the organization. The purpose of risk management is to safeguard Klarna's long-term viability, mitigate volatility in financial performance, enhance operational resilience and performance, and facilitate informed decision-making.

Klarna's risk management governance model encourages a risk-aware culture combined with control structures which are monitored and enforced by independent control functions. Key controls are documented and assessed on a regular basis, with assessments considering both effectiveness of design and operation. The risk strategy is a natural extension of the business model that focuses on identification, assessment, management and monitoring of the material risks that Klarna is exposed to.

Risk governance

Klarna operates a financial services industry standard three lines of defense model for risk management and control. The model allocates responsibilities of activities among teams or functions in three independent lines as outlined below:

The ultimate responsibility for risk management rests with the Board, which sets Klarna's risk appetite and policies establishing the principles for risk management. It also oversees and promotes a sound risk culture of risk awareness and understanding across the organization to encourage informed decision making. The board of Klarna Bank AB is supported by the Audit, Compliance, and Risk Committee (ACRC) in performing its duties regarding risk management.

The Group Management Team is responsible for implementing the risk strategy. They are also accountable for the management of risks within each of their areas of responsibility, and to promote a sound and effective risk culture across their teams and the Banking Group as a whole.

In the **first line of defense**, business line management are responsible for the risks, and the management of these, within their respective area of responsibility. They are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.

The **second line of defense**, consisting of the functions Risk Control and Compliance, oversees risk. These control functions set the principles and framework for risk management, facilitate and challenge risk assessments, perform independent control testing, and report on adherence to risk appetites, limits and frameworks.

The control functions are independent of business line management and report directly to the CEO. They also attend and report to the Audit, Compliance and Risk Committee (ACRC) and the Board.

As the **third line of defense**, internal audit provides risk assurance through independent periodic reviews of governance structures and control systems. This includes regular evaluations of Klarna's risk management framework and an annual review of the second line of defense's control functions. Internal Audit reports directly to the board of Klarna Bank AB, offering reliable and objective assurance to both the board and the CEO on the effectiveness of controls, risk management, and governance processes.

The board of Klarna Bank AB has decided to outsource Klarna's Internal Audit Function to Deloitte and has adopted a Policy on Group Internal Audit. The Internal Audit Function regularly reports audit results, identified risks, and improvement suggestions to the board and ACRC. It also informs the CEO, Group Management Team, and relevant departments on internal audit matters. The board of Klarna Bank AB annually establishes a plan for internal audit work.

External Audit

Klarna's external auditors are formally elected at the General Meeting on an annual basis in line with Swedish Company law. Ernst & Young AB was re-elected at the 2024 annual general meeting AGM as external auditor for the period up to the 2025 annual general meeting.

The ACRC receives reports from the auditor, which include details of significant internal control matters that they have identified, and meets with the auditor on a regular basis.

The ACRC oversees appropriate procedures to maintain the independence of the external auditor, this includes Klarna's Policy on Non-Audit Services Provided by External Auditors which sets out those services that the auditor is permitted to provide and the requirements for pre-approval by ACRC in advance of provision of non-audit services.

Risk strategy and appetite

Klarna's risk strategy is set by the Board and outlines the nature of risks that the business is exposed to, its willingness to take these risks and how they are managed. It is formed through Klarna's business plan, established by the Group Management Team and approved by the Board; the Risk Management Policy, which forms the basis of Klarna's risk management framework; the Credit Policy, which sets out Klarna's credit strategy; and the Internal Capital and Liquidity Adequacy Assessment Process.

The risk appetite framework outlined in the Risk Management Policy reflects Klarna's willingness to take and limit risk. The appetite is set by the Board and reviewed and updated regularly, at least on an annual basis. This annual review is an integral part of the annual business planning process, ensuring alignment of the business strategy, planned business activities and Klarna's risk exposures.

The Board and Group Management Team also issue specific written policies and instructions for managing risks, which are complemented by detailed routine descriptions within the organization. The second line functions provide an independent assessment of Klarna's risk profile to the Group Management Team and the Klarna Bank AB board on at least a quarterly basis.

Risks

Klarna categorizes the key risks it is exposed to into six types. These categories are subsequently further refined and managed within the organization. These risk categories form the basis of how Klarna identifies, assesses, manages, and reports against risk.

Credit risk is defined as: the risk of loss due to a counterparty failing to meet its contractual obligations or concentrations in exposures.

Credit risk is fundamental to Klarna's mission of providing consumers a smooth payment experience, better financial management and supporting partners' growth. It is a risk that Klarna takes to achieve its business objectives.

Klarna ensures that the consumer credit portfolio is resilient to volatile economic conditions by offering short duration credits and low average order value. Klarna limits the concentration of non-performing loans and large single exposures in the consumer credit portfolio. This, together with the dispersion of millions of customers across multiple countries and continents and low average order value, ensures that the consumer portfolio is diversified. Klarna takes precautions to ensure that approved consumers have the ability to pay their obligations.

Exposures and losses stemming from partners, payment and bank counterparties are managed by limiting single exposures based on the risk class of the counterparty as well as the exposure concentration to individual partner segments. Exposures to partners are managed using mitigation tools to increase Klarna's collateral, such as payment delays, rolling reserves, insurances and withholding payments.

Klarna uses financial guarantees to provide protection for part of its portfolio of consumer exposures. The guarantee can reduce the regulatory capital the bank is required to hold for unexpected losses and the guarantee is fully funded with eligible collateral.

Market risk is defined as: the risk of movements in market prices impacting Klarna's earnings or capital position.

Klarna does not actively take market risk but due to its multi-currency business and different duration of its assets and liabilities market risk is an inherent risk of the business. Interest rate risk specifically arises via a mismatch of terms in assets and liabilities where duration of funding is longer compared to the duration of credits granted to consumers.

Klarna seeks to match lending in foreign currencies with a financial liability in the same currency and any mismatches may be hedged to minimize the impact changes in currency rates may have on Klarna's realized earnings. Similarly, Klarna seeks to match changes in interest rate on borrowings with interest rates on lending and, where needed, hedge mismatches.

Klarna does not invest in financial instruments other than for liquidity, interest rate and currency risk management purposes. From time to time Klarna makes strategic investments in other companies to accelerate innovation and/or expand and improve its product offering. Equity risk, the risk that the value of these investments may increase or decrease, is a natural consequence of this activity. The risk of losses arises due to the potential for adverse price changes of an investment. This exposure is limited through Board mandates.

Liquidity risk is defined as: the risk of being unable to meet financial obligations as they fall due, or unable to fund operational needs without incurring unacceptable costs.

Klarna is dependent upon the effective management of liquidity risk to realize the company's strategy. The risk of insufficient funding being available would have implications on future growth, the company's ability to meet financial obligations, and in an extreme scenario, the breach of regulatory limits.

Klarna is primarily exposed to liquidity risk due to the potential for unexpected increased demand for credits. There is a risk that Klarna does not have a sufficient capacity to acquire additional funding at a reasonable cost in a timely manner, or does not have sufficient levels of liquid assets to convert to cash during such times. Klarna therefore keeps sufficient levels of liquidity at hand at all times, ensuring that funds are available to support the business and that regulatory requirements are adhered to.

Klarna actively manages its liquidity risk exposure and sources of liquidity by calculating, forecasting and managing the size of the High Quality Liquid Assets (HQLA) portfolio and the funding needs to ensure that Klarna always has the ability to fulfill its commitments as they fall due and meet regulatory requirements. Klarna invests in financial instruments for liquidity management purposes, and mostly in high credit quality sovereign and municipal government securities.

Operational risk is defined as: the risk of inadequate or failed processes, personnel, products or third parties.

Operational Risk exists across all of Klarna's business processes. The continued delivery of Klarna's services to customers (partners and consumers) relies on resilience and stability in how processes, personnel, products and third parties are managed. To manage these inherent risks Klarna operates a robust operational risk management framework.

Klarna maintains an operational risk management framework as outlined in the Operational Risk Policy. This is supported by more detailed risk specific approaches. On an annual basis, business critical products and services are identified and a risk assessment completed, including review of internal controls and identification of any additional mitigation activities required. This includes maintaining a business continuity plan to ensure continuation of services in the event of disruption.

To sustain operational delivery, outside of business continuity, a mandatory Incident management process provides a structured approach for continuous learning and improvement through analysis of past incidents.

A driver of operational risk is major change. Klarna operates a change management approval process (the NPA process) to ensure a sound understanding of the business change and capture associated risks. All major changes undergo a risk assessment led by the owner of the change to identify and assess the risks associated with the change, and to implement adequate controls and/or mitigation actions.

Klarna has zero tolerance for entering into or maintaining business relationships where there is knowledge or suspicion that Klarna's products or services are being used for money laundering or terrorist financing. In such cases, Klarna will immediately terminate the relationship and take appropriate action in accordance with regulatory requirements.

ICT and Security risk is defined as: the risk of failures or breaches in information or communication systems including system outages, software failures, data breaches, physical security breaches or cyber-attacks.

Klarna is subject to ICT and security risk as a consequence of its business and operational processes. This risk can occur in several ways that can impact on one or more of the confidentiality, integrity or availability of data and systems such as stemming from human actions, system or technology failures or processes not operating as expected as well as adjusting to the continuously evolving cyber threat landscape.

Klarna uses many automated and standardized security measures in a layered approach to protect systems. To manage ICT and security risks, Klarna maintains a specific ICT and security management framework. This includes frequent IT security/vulnerability assessments and testing, ongoing system monitoring, software change management controls, strict access management controls and regular training, including security awareness training and exercises. ICT and Security risk controls are tested and measured continuously.

Business risk is defined as: the risk of suboptimal strategy selection or sustainability factors impacting the achievement of Klarna's business objectives or altering the long term valuation or viability of the business.

Klarna's strategy is delivered through its business plan, which enables an informed decision-making process for assessing business risks. The business plan defines Klarna's objectives and the steps needed to reach those objectives and is designed to be resilient to changes in external economic and competitive conditions. Klarna aims for a sustainable strategy and business model and therefore expects to achieve the business plan with minimal variation.

As a part of the business planning cycle, Klarna assesses the up and down-side risks of the plan and considers the impact of competitor and market conditions to test the plans achievability under different circumstances. The achievement of the business plan is then reviewed monthly by the Group Management Team with updates on key financial and business metrics, including exposure against Board risk appetite limits. Where Klarna sees opportunities or risks, it adjusts approaches as appropriate to preserve achievement of the plan.

Sustainability risks are identified through a periodic double materiality assessment to determine key prudential and non-prudential themes that could impact Klarna. For prudential regulation, sustainability risk, including ESG factors, is integrated into risk management practices such as the Credit Policy and stress testing scenarios. Non-prudential regulation involves collaboration across Klarna to assess external data and communications, including ESG reports and voluntary reporting initiatives.

To deliver its sustainable, global growth strategy in an efficient and responsible way, Klarna starts small with lower risk products that it can quickly test, iterate and scale. Launches of new products or markets go through a structured assessment and decision making process to ensure risks have been captured and appropriately managed.

Risk reporting

In the Risk Management Policy, the Board has established how and when it shall receive information about Klarna's risks and risk management. The periodic, recurring risk reporting in Klarna provides reliable, current, complete, and timely information, reflecting the nature of different risk types as well as market developments. The Board, the ACRC, the CEO, and the Group Management Team, as well as other functions that require such information, receive regular reports on the status of risks and risk management to ensure they are aware of material risks and control weaknesses.

Internal control and financial reporting

Klarna maintains risk management processes and internal controls relating to financial reporting which are designed to ensure accuracy of financial records, appropriate application of accounting policies and compliance with relevant regulations and provide management with accurate and timely financial reporting in order to accurately view the Banking Group's performance and make informed decisions.

Insider administration

As Klarna's equity shares are not admitted to trading on a regulated market, Klarna's obligations under the EU Market Abuse Regulation No 596/2014 (MAR) relate only to its corporate bonds listed on Nasdaq Stockholm.

Insider administration is organized according to the applicable EU and national level laws and regulations. The Klarna Bank AB board has approved Banking Group-wide policies and instructions to provide clear instructions for employees to ensure inside information is identified and handled appropriately.

Klarna does not maintain a permanent insider register under EU Market Abuse Regulation No 596/2014 (MAR). Insiders are identified on a case-by-case basis whenever inside information is detected and are subsequently registered in a related insider register and notified of their insider status. All identified insiders are then prohibited from dealing in the financial instrument(s) to which the inside information relates until that information is made public or otherwise no longer deemed to be inside information, and the insider register is closed.

The responsibilities of Klarna's insider administration include evaluating whether information is inside information or not, training of and providing information to employees who are exposed to inside information to make sure that they are aware of the restrictions and obligations placed on insiders, setting up and maintaining insider registers as well as monitoring compliance with the insider rules. The rules are put in place to mitigate the risk of insider dealing and other forms of market abuse, and the overall responsibility for making sure that a high level of knowledge of and compliance with these rules is maintained lies with Klarna's Governance and Corporate Secretariat team reporting to the Chief Legal Officer.

Group company and parent company financials

Five year summary, Group

Amounts in SEKm	2024	2023	2022	2021	2020
Income statement					
Total net operating profit	25,403	20,361	16,566	13,754	10,000
Operating profit (loss)	273	(3,263)	(10,234)	(6,581)	(1,629)
Net profit (loss)	142	(2,606)	(10,207)	(7,093)	(1,376)
Balance sheet					
Loans to credit institutions	7,749	4,500	3,783	4,990	2,614
Loans to the public	93,970	86,108	73,983	62,087	41,718
Other assets	49,538	46,375	46,364	38,449	17,463
Total assets	**151,257**	**136,983**	**124,130**	**105,526**	**61,795**
Liabilities to credit institutions	1,452	1,636	2,829	713	2,415
Deposits from the public	106,787	97,096	81,470	59,670	30,835
Other liabilities	22,222	23,543	27,776	26,697	22,221
Total equity	20,796	14,708	12,055	18,446	6,324
Total liabilities and equity	**151,257**	**136,983**	**124,130**	**105,526**	**61,795**
Key ratios and figures[1]					
Return on equity	1.5 %	(24.4)%	(67.1)%	(53.1)%	(28.0)%
Return on assets	0.1 %	(2.0)%	(8.9)%	(8.5)%	(2.7)%
Debt/equity ratio	7.1	8.8	6.5	5.8	7.7
Equity/assets ratio	13.7 %	10.7 %	9.7 %	17.5 %	10.2 %
Own funds (Total capital)[2]	16,503	12,560	15,548	19,855	13,530
Capital requirement[2]	6,162	5,743	5,487	4,947	3,391
Total capital ratio[2]	21.4 %	17.5 %	22.7 %	32.1 %	31.9 %
Average number of full-time equivalents	3,778	4,972	6,002	4,789	3,238

[1] See "Definitions and Abbreviations" for definitions of how the ratios are calculated.
[2] Figures refer to Klarna Holding AB (publ) group. In accordance with the capital adequacy regulations, the regulated consolidated situation is made up of Klarna Holding AB (publ) (Klarna Bank AB (publ)'s parent company) and its subsidiaries. All subsidiaries are fully consolidated in the Group.

Five year summary, Parent Company

Amounts in SEKm	2024	2023	2022	2021	2020
Income statement					
Total net operating profit	19,747	12,448	11,236	10,487	8,421
Operating loss	(1,264)	(3,274)	(8,891)	(5,579)	(1,374)
Net loss	(1,335)	(3,268)	(8,879)	(6,046)	(1,174)
Balance sheet					
Loans to credit institutions	4,925	1,880	991	1,965	1,723
Loans to the public	87,689	80,958	76,474	64,366	38,025
Other assets	58,614	58,831	46,649	38,189	22,522
Total assets	**151,228**	**141,669**	**124,114**	**104,520**	**62,270**
Liabilities to credit institutions	959	1,264	2,829	712	2,386
Deposits from the public	106,320	96,789	81,162	59,409	30,682
Other liabilities	24,981	27,866	26,381	25,207	22,747
Total equity	18,968	15,750	13,742	19,192	6,455
Total liabilities and equity	**151,228**	**141,669**	**124,114**	**104,520**	**62,270**
Key ratios and figures[1]					
Return on equity	(7.3)%	(22.2)%	(54.0)%	(43.5)%	(23.9)%
Return on assets	(0.9)%	(2.5)%	(7.8)%	(7.3)%	(2.3)%
Debt/equity ratio	7.4	8.0	5.9	5.5	7.8
Equity/assets ratio	12.5 %	11.1 %	11.1 %	18.4 %	10.4 %
Own funds (Total capital)	17,490	14,466	13,191	19,722	7,278
Capital requirement	7,356	7,186	6,405	5,572	3,830
Total capital ratio	19.0 %	16.1 %	16.5 %	28.3 %	15.2 %
Average number of full-time equivalents	2,740	3,525	4,403	3,777	2,672

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

Income Statement, Group

Amounts in SEKm	Note	2024	2023
Interest income	5	7,153	5,725
Interest expenses	6, 7	(4,566)	(3,140)
Net interest income		**2,587**	**2,585**
Commission income	8	20,342	16,805
Commission expenses	9	(1,202)	(862)
Net result from financial transactions	10	(768)	(151)
Other operating income		4,444	1,984
Total net operating income		**25,403**	**20,361**
General administrative expenses	7, 11, 12	(17,734)	(17,301)
Depreciation, amortization and impairment of intangible and tangible assets	7, 13	(1,993)	(2,291)
Operating expenses		**(19,727)**	**(19,592)**
Operating profit		**5,675**	**769**
Credit losses, net	14	(5,402)	(4,032)
Profit (loss) before taxes		**273**	**(3,263)**
Tax (expense) benefit	15	(131)	657
Net profit (loss)		**142**	**(2,606)**
Whereof attributable to:			
Shareholders of Klarna Bank AB (publ)		112	(2,635)
Other equity holders		30	29
Total		**142**	**(2,606)**

Unlike the balance sheet, which shows a snapshot of assets and liabilities at the end of each year, the credit losses in the income statement reflect provisions for future losses and realized losses associated with Klarna's operating activities during the year, including consumer credit losses, merchant counterparty losses, and other related credit losses.

Credit losses, net as a percentage of GMV was 0.49% (FY23: 0.41%).

Statement of Comprehensive Income, Group

Amounts in SEKm	2024	2023
Net profit (loss)	**142**	**(2,606)**
Items that are or may be reclassified to the income statement:		
Exchange differences on translation of foreign operations	510	(136)
Reclassification of cumulative translation adjustments	(183)	(2)
Other comprehensive income (loss) for the year	**327**	**(138)**
Total comprehensive income (loss)	**469**	**(2,744)**
Comprehensive income (loss) attributable to:		
Shareholders of Klarna Bank AB (publ)	439	(2,773)
Other equity holders	30	29
Total	**469**	**(2,744)**

Balance Sheet, Group

Amounts in SEKm	Note	31 Dec 2024	31 Dec 2023
Assets			
Cash and balances with central banks		27,661	22,028
Treasury bills chargeable at central banks, etc.	18	7,415	7,267
Loans to credit institutions	19	7,749	4,500
Loans to the public	20	93,970	86,108
Bonds and other interest-bearing securities	21	118	506
Other shares and participations		172	345
Intangible assets	23	9,822	11,063
Tangible assets	7, 24	936	1,228
Deferred tax assets	15	368	282
Other assets	25, 26	1,877	2,798
Prepaid expenses and accrued income	27	1,169	858
Total assets		**151,257**	**136,983**
Liabilities			
Liabilities to credit institutions	28	1,452	1,636
Deposits from the public	29	106,787	97,096
Debt securities issued	30	1,648	651
Deferred tax liabilities	15	8	5
Other liabilities	7, 26, 31	16,453	19,173
Accrued expenses and prepaid income	32	4,047	3,586
Provisions	33	66	128
Total liabilities		**130,461**	**122,275**
Equity			
Share capital		81	78
Other capital contributed		40,608	35,240
Reserves		611	284
Other equity instruments		276	276
Retained earnings		(20,922)	(18,564)
Net profit (loss)		142	(2,606)
Total equity		**20,796**	**14,708**
Total liabilities and equity		**151,257**	**136,983**

Loans to the public represents only the amount of outstanding loans receivable, as at each year end, and is net of allowance for future credit losses (see Note 8 for breakdown). This balance is only partially comparable to credit losses on the income statement as the income statement reports all activity during the year, while the balance sheet is a snapshot of lending outstanding as at the year end date.

Statement of Changes in Equity, Group

Amounts in SEKm	Share capital	Other capital contributed	Reserves	Other equity instruments	Retained earnings	Net result	Total equity
Balance as at January 1, 2023	**69**	**29,980**	**422**	**276**	**(8,485)**	**(10,207)**	**12,055**
Transfer of previous year's net loss	–	–	–	–	(10,207)	10,207	–
Net loss	–	–	–	–	–	(2,606)	(2,606)
Exchange differences on translation of foreign operations	–	–	(136)	–	–	–	(136)
Reclassification of cumulative translation adjustments	–	–	(2)	–	–	–	(2)
Total comprehensive loss	**–**	**–**	**(138)**	**–**	**–**	**(2,606)**	**(2,744)**
New share issuance	9	3,260	–	–	–	–	3,269
Other equity instruments[1]	–	–	–	–	(29)	–	(29)
Share based payments	–	–	–	–	157	–	157
Shareholders' contribution	–	2,000	–	–	–	–	2,000
Balance as at December 31, 2023	**78**	**35,240**	**284**	**276**	**(18,564)**	**(2,606)**	**14,708**
Transfer of previous year's net loss	–	–	–	–	(2,606)	2,606	–
Net profit	–	–	–	–	–	142	142
Exchange differences on translation of foreign operations	–	–	510	–	–	–	510
Reclassification of cumulative translation adjustments	–	–	(183)	–	–	–	(183)
Total comprehensive income	**–**	**–**	**327**	**–**	**–**	**142**	**469**
New share issuance	3	5,368	–	–	–	–	5,371
Other equity instruments[1]	–	–	–	–	(30)	–	(30)
Share based payments	–	–	–	–	278	–	278
Balance as at December 31, 2024	**81**	**40,608**	**611**	**276**	**(20,922)**	**142**	**20,796**

[1] Amounts in other equity instruments column consist of issued instruments, while amounts in retained earnings column consist of interest and cost of issuance of these issued instruments.

Income Statement, Parent Company

Amounts in SEKm	Note	2024	2023
Interest income	4, 5	8,603	6,238
Interest expenses	6, 7	(4,826)	(3,394)
Net interest income		**3,777**	**2,844**
Dividends received		1,483	103
Group contribution	4	38	61
Commission income	4, 8	13,989	11,423
Commission expenses	9	(3,593)	(3,233)
Net result from financial transactions	10	(348)	(496)
Other operating income	4	4,401	1,746
Total net operating income		**19,747**	**12,448**
General administrative expenses	7, 11, 12	(12,270)	(9,959)
Depreciation, amortization and impairment of intangible and tangible assets	7, 13	(1,495)	(1,838)
Other operating costs		(610)	(1,001)
Operating expenses		**(14,375)**	**(12,798)**
Operating profit (loss)		**5,372**	**(350)**
Credit losses, net	14	(3,622)	(2,817)
Impairment of financial assets		(3,014)	(107)
Loss before taxes		**(1,264)**	**(3,274)**
Tax (expense) benefit	15	(71)	6
Net loss		**(1,335)**	**(3,268)**

Statement of Comprehensive Income, Parent Company

Amounts in SEKm	2024	2023
Net loss	**(1,335)**	**(3,268)**
Items that are or may be reclassified to the income statement:		
Exchange differences on translation of foreign operations	(124)	38
Other comprehensive income (loss)	**(124)**	**38**
Total comprehensive loss	**(1,459)**	**(3,230)**

Balance Sheet, Parent Company

Amounts in SEKm	Note	31.Dec.2024	31.Dec.2023
Assets			
Cash and balances with central banks		27,661	22,028
Treasury bills chargeable at central banks, etc.	18	7,415	7,267
Loans to credit institutions	19	4,925	1,880
Loans to the public	20	87,689	80,958
Bonds and other interest-bearing securities	21	118	506
Shares and participations in group companies	22	11,336	15,091
Other shares and participations		172	345
Intangible assets	23	1,978	2,692
Tangible assets	7, 24	924	1,075
Deferred tax assets	15	25	67
Other assets	25, 26	7,801	9,293
Prepaid expenses and accrued income	27	1,184	467
Total assets		**151,228**	**141,669**
Liabilities			
Liabilities to credit institutions	28	959	1,264
Deposits from the public	29	106,320	96,789
Debt securities issued	30	1,648	651
Deferred tax liabilities	15	6	4
Other liabilities	7, 26, 31	19,664	24,120
Accrued expenses and prepaid income	32	3,602	2,973
Provisions	33	62	118
Total liabilities		**132,261**	**125,919**
Equity			
Share capital		81	78
Reserve for development costs		1,139	1,602
Other reserves		(258)	(134)
Other equity instruments		276	276
Retained earnings		19,065	17,196
Net loss		(1,335)	(3,268)
Total equity		**18,968**	**15,750**
Total liabilities and equity		**151,228**	**141,669**

Statement of Changes in Equity, Parent Company

	Restricted equity		Non-restricted equity				
Amounts in SEKm	**Share capital**	**Reserve for development costs**	**Other reserves**	**Other equity instruments**	**Retained earnings**	**Net result**	**Total equity**
Balance as at January 1, 2023	**69**	**1,475**	**(172)**	**276**	**20,877**	**(8,879)**	**13,646**
Transfer of previous year's net loss	–	–	–	–	(8,879)	8,879	–
Net loss	–	–	–	–	–	(3,268)	(3,268)
Exchange differences on translation of foreign operations	–	–	38	–	–	–	38
Total comprehensive loss	**–**	**–**	**38**	**–**	**–**	**(3,268)**	**(3,230)**
New share issuance	9	–	–	–	3,260	–	3,269
Shareholders' contribution	–	–	–	–	2,000	–	2,000
Reserve for development costs	–	127	–	–	(127)	–	–
Share based payments	–	–	–	–	94	–	94
Other equity instruments	–	–	–	–	(29)	–	(29)
Balance as at December 31, 2023	**78**	**1,602**	**(134)**	**276**	**17,196**	**(3,268)**	**15,750**
Transfer of previous year's net loss	–	–	–	–	(3,268)	3,268	–
Net loss	–	–	–	–	–	(1,335)	(1,335)
Exchange differences on translation of foreign operations	–	–	(124)	–	–	–	(124)
Total comprehensive loss	**–**	**–**	**(124)**	**–**	**–**	**(1,335)**	**(1,459)**
New share issuance	3	–	–	–	5,368	–	5,371
Reserve for development costs	–	(463)	–	–	463	–	–
Share based payments	–	–	–	–	193	–	193
Other equity instruments[1]	–	–	–	–	(30)	–	(30)
Merger result[2]	–	–	–	–	(857)	–	(857)
Balance as at December 31, 2024	**81**	**1,139**	**(258)**	**276**	**19,065**	**(1,335)**	**18,968**

Share capital: 241,030,590 shares (231,083,215), quota value 0.336 (0.336).

[1] Amounts in other equity instruments column consist of issued instruments, while amounts in retained earnings column consist of interest and cost of issuance of these issued instruments.

[2] Merger result from the transfer of the wholly-owned subsidiary Sofort GmbH's business into Klarna Bank AB (publ) and its German branch. For more information, see Note 41.

Cash Flow Statement

Amounts in SEKm	Note	Group 2024	Group 2023[1]	Parent Company 2024	Parent Company 2023
Operating activities					
Profit (loss) before taxes		273	(3,263)	(1,264)	(3,274)
Income taxes paid		(161)	(115)	(122)	(62)
Interest expenses paid		(3,283)	(2,096)	(3,282)	(2,095)
Interest income received		6,155	4,134	5,898	4,110
Adjustments for non-cash items in operating activities					
Depreciation, amortization and impairment	7, 13	1,993	2,291	1,495	1,838
Share-based payments		896	440	699	290
Provisions excluding credit losses		6	6	1	–
Provision for credit losses		7,077	5,391	5,297	4,175
Financial items including fair value effects		(3,029)	(2,345)	(2,670)	(1,331)
Impairment of shares in group companies		–	–	3,014	107
Dividend received from subsidiaries		–	–	(1,521)	(164)
Net gains from divestment		(1,998)	(8)	(23)	–
Net gains from divestment of assets		–	–	(2,012)	–
Net losses from divestment of shares in equity investments		82	–	82	–
Changes in the assets and liabilities of operating activities[2]					
Change in loans to the public		(13,524)	(18,048)	(9,967)	(8,647)
Change in liabilities to credit institutions		(224)	(1,172)	(305)	(1,565)
Change in deposits from the public		8,632	16,727	8,506	16,717
Change in other assets and liabilities		42	4,279	(2,406)	(1,696)
Cash flow from operating activities		**2,937**	**6,221**	**1,420**	**8,403**
Investing activities					
Investments in intangible assets	23	(467)	(890)	(456)	(816)
Investments in tangible assets	24	(10)	(7)	(6)	(3)
Sales of fixed assets		–	15	2,001	13
Investments in subsidiaries	22	–	–	(239)	(2,650)
Divestment, net of cash disposed		1,987	8	76	–
Sale of equity investments		221	–	221	–
Dividend received from subsidiaries		–	–	980	88
Cash flow from investing activities		**1,731**	**(874)**	**2,577**	**(3,368)**
Financing activities					
New share issuance		5,371	3,269	5,371	3,269
Debt securities redeemed	30	(1,787)	(1,937)	(1,787)	(1,598)
Debt securities issued		2,789	1,100	2,789	1,100
Subordinated debt redeemed		–	(300)	–	(300)
Principal payments of lease liabilities	7	(265)	(441)	(242)	(370)
Cash flow from financing activities		**6,108**	**1,691**	**6,131**	**2,101**
Cash flow for the year		**10,776**	**7,038**	**10,128**	**7,136**
Cash and cash equivalents at the beginning of the year		**24,167**	**17,724**	**23,237**	**16,699**
Cash flow for the year		10,776	7,038	10,128	7,136
Cash and cash equivalents from merger	41	–	–	174	–
Exchange rate diff. in cash and cash equivalents		774	(595)	698	(598)
Cash and cash equivalents at the end of the year		**35,717**	**24,167**	**34,237**	**23,237**
Cash and cash equivalents include the following items					
Cash held with central banks		27,193	21,784	27,193	21,784
Loans to credit institutions classified as cash and cash equivalents		5,526	2,383	4,046	1,453
Treasury bills classified as cash and cash equivalents		2,998	–	2,998	–
Cash and cash equivalents		**35,717**	**24,167**	**34,237**	**23,237**
Additional liquidity portfolio		4,535	7,774	4,535	7,774
Total cash and liquidity		**40,252**	**31,941**	**38,772**	**31,011**

[1] Specific lines within operating and financing activities have been represented as a result of showing a more granular breakdown of the cash flows for the periods.

[2] Changes in assets and liabilities of operating activities uses average exchange rate translation in the cash flow, and is therefore not a reflection of the balance sheet movements, using the exchange rate at each period end.

Notes with accounting principles

Note 1 Corporate information

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 report per December 31, 2024 includes Klarna Bank AB (publ) along with its branches and subsidiaries, collectively referred to as the Group in the financial statements. The Group's business is described in the Report from the Board of Directors.

In this report, Parent company refers to Klarna Bank AB (publ) including its branches and Group refers to Klarna Bank AB (publ) including its branches and subsidiaries.

The Parent Company of Klarna Bank AB (publ) is Klarna Holding AB (publ), Corp. ID 556676-2356, which has its registered office in Stockholm at the address Sveavägen 46, 111 34 Stockholm, Sweden. The ultimate parent company of Klarna Bank AB (publ) is Klarna Group plc, Corp. ID 14467769, that has its registered office at 10 York Road, London, England, SE1 7ND.

The consolidated financial statements and the annual report for Klarna Bank AB (publ) for the financial year 2024 were approved by the Board of Directors and the Chief Executive Officer (CEO) on March 26, 2025. They will ultimately be adopted by Klarna Bank AB (publ)'s Annual General Meeting.

Note 2 Accounting principles

1) Basis for the preparation of the reports

Group

The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and have been prepared on a historical cost basis, except for other shares and participations, derivatives and convertible notes which have been measured at fair value, and lease liabilities, which are measured at present value. In addition, the Swedish Financial Supervisory Authority regulations (FFFS 2008:25), the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559) and the recommendation RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board have been applied.

Parent Company

The Parent Company's annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559). Klarna Bank AB (publ) applies legally restricted IFRS, which means that the annual accounts have been prepared in accordance with IFRS with the additions and exceptions ensuing from the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities, and the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts for credit institutions and securities companies (FFFS 2008:25). The Group's accounting principles are also applicable for the Parent company unless otherwise described in this Note.

The preparation of reports in accordance with IFRS requires the use of a number of estimates for accounting purposes. The areas which involve a high degree of assessment or complexity and which are of considerable importance for the annual accounts are presented in the section below Significant accounting judgements, estimates and assumptions.

The financial statements are prepared on the basis that it will continue to operate as a going concern. All amounts in the notes to the consolidated financial statements are stated in millions of Swedish kronor ("SEK"), unless otherwise stated.

2) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent company and its subsidiaries as at December 31, 2024. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated subsidiaries of Klarna are consolidated as from the date when control is transferred to Klarna and deconsolidated from the date that control ceases. All intercompany accounts and transactions between members of the Group have been eliminated on consolidation.

3) New and amended standards and interpretations

Standards and amendments effective for the year

No significant new IFRS standards, amendments, or interpretations applicable to the Group became effective during the period.

New standards and amendments issued but not yet effective

In April 2024, the IASB issued IFRS 18 “Presentation and Disclosure in Financial Statements” that replaces IAS 1 “Presentation of Financial Statements”. IFRS 18 introduces new requirements for information presented in the primary financial statements and disclosed in the notes. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, but earlier adoption is permitted. The Group is currently evaluating the impact of this standard.

In May 2024, the IASB issued amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”, clarifying recognition and derecognition principles and introducing an exception for the early derecognition of certain financial liabilities settled electronically. The amendments also provide guidance on assessing contractual cash flow characteristics and introduce new disclosure requirements. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier adoption permitted. The Group is currently evaluating their impact.

The Group has not early adopted any issued standards, interpretations, or amendments that are not yet effective.

4) Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. On an ongoing basis, Klarna evaluates the estimates, including those related to provisions for credit losses, revenue recognition (see more in below section revenue recognition), income taxes, the evaluation for impairment of intangible assets and goodwill, contingent liabilities, securitizations, convertible notes, leases, business combinations and share-based compensation, including the fair value of restricted stock units, options and warrants issued. Klarna bases the estimates on historical experience and various other assumptions which Klarna believes to be reasonable under the circumstances. Actual results could materially differ from these estimates.

5) Foreign currency translation

Presentation currency and functional currency

The financial statements are prepared in SEK. Each entity within the Group uses the currency of its primary economic environment as its functional currency. For Klarna Bank AB (publ), the functional currency is the Swedish Krona (SEK).

The assets and liabilities of the Group and its subsidiaries are translated from the functional currency of the operations to SEK using the exchange rates at the reporting date. The revenues and expenses are translated to SEK using the average exchange rates for the period, which approximate the exchange rates at the date of the transaction. All resulting foreign exchange differences are recognized in other comprehensive income (loss) and included in foreign exchange translation reserve in equity.

Foreign currency transactions

Transactions denominated in currencies other than the functional currency of the respective entity are translated into the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in currencies other that the functional currency are remeasured using the exchange rates prevailing at the end of the reporting period. Any foreign exchange gains or losses arising from the remeasurement of these monetary assets and liabilities are recognized in net result from financial transactions in the consolidated statement of profit or loss.

6) Cash and balances with central banks

Cash comprises legal tender and bank notes in local and foreign currencies. Balances with central banks consist of deposits in accounts with central banks under government authority where the following conditions are fulfilled:

- The central bank is domiciled, and
- The balance is readily available at any time.

7) Treasury bills chargeable at central banks

Treasury bills chargeable at central banks are classified as financial assets measured at amortized cost. These assets have a maturity of both greater than three months, and less. Treasury bills with a maturity less than three months is classified as cash and cash equivalents in the cash flow statement. Interest is recognized as interest income in the income statement.

8) Loans to credit institutions

Loans to credit institutions consist of loans and advances to credit institutions in local and foreign currencies, cash collateral for securities borrowing and other lending arrangements with banks and financial institutions. Balances relating to banks are classified as cash and cash equivalents in the cash flow statement.

9) Loans to the public

Lending to the public cover loans and advances to customers that are not credit institutions. Klarna's lending to the public can be divided into two categories;

Consumer receivables, representing unsecured amounts due from consumers that elect to pay over time either through pay later or fair financing options as well as receivables related to other consumer fees as discussed in the Group´s revenue recognition accounting principles. Consumer receivables that Klarna has the objective of holding to collect contractual cash flows are measured at amortized cost, including outstanding principal balances, accrued interest and net of allowances for expected credit losses.

The other category relates to receivables from payment solution providers ("PSPs"), amounts due from merchants for services and receivables from third-party debt collection agencies. These are reported at amortized cost net of an allowance for expected credit losses.

10) Allowance for expected credit losses

Klarna estimates allowances for expected credit losses ("ECL") for treasury bills chargeable at central banks and loans to the public. The ECL allowance is based on either 12-month expected credit losses ("12m ECL") or on lifetime expected credit losses ("Lifetime ECL"). The ECL allowance is based on the latter if the simplified approach, as defined by IFRS 9, is applicable or if there has been a significant increase in credit risk since initial recognition.

Lifetime ECL and 12m ECL are calculated on a collective basis at an asset class level. The asset class is defined by shared credit risk characteristics, which are generally by market and geography.

Treasury bills chargeable at central banks

Klarna invests in treasury bills issued by central banks, loans to highly rated financial institutions and bonds issued by highly rated government entities. The credit rating status of issuing entities is monitored throughout the investment holding period. The high credit quality of the issuers results in a low probability of default, loss given default and exposure at default resulting in an immaterial ECL estimate for these assets.

Loans to the public

Consumer receivables

To measure the ECL for consumer receivables, the Group assigns outstanding loans to one of three stages with the stage corresponding to the individual loan's estimated repayment performance. The estimated repayment performance is informed by the Group's records, including the customer's history with Klarna and purchase behavior from active Klarna consumers, merchant data, credit bureau reports and open banking data. Klarna defines the stages as follows:

Stage 1: New loan origination that is not credit impaired at origination. A loan remains in stage 1 unless there is a significant increase in credit risk ("SICR"), such as when a loan becomes 30 days or more past due or if the consumer has other loans that are in stage 2 or 3. While a consumer could have a loan that did not experience SICR, if they have a loan in stage 2 or 3, Klarna applies a more prudent approach to all loans for the consumer as part of its risk management practices. A loan may also be transferred back to stage 1 if credit risk has significantly improved and it is not delinquent 30 or more days. For stage 1 loans, the allowance is calculated based on 12-month ECL.

Stage 2: Loan with an observed significant increase in credit risk since origination. Klarna defines significant increase in credit risk as a loan with an outstanding balance more than 30 days overdue. The allowance for these loans is calculated based on Lifetime ECL. Stage 2 also includes loans that are reclassified from stage 3 because they are no longer considered credit impaired.

Stage 3: Loan considered credit impaired. A loan is defined as credit impaired if it is 90 days past due or is classified as fraudulent. The allowance for stage 3 loans is calculated based on lifetime ECL. A loan may be reclassified from stage 3 if it is no longer considered credit impaired.

PSP receivables, merchant receivables and receivables from third-party debt collection agencies

Klarna estimates credit losses using the lifetime ECL model. Each counterparty is subject to a credit risk assessment at onboarding and periodically throughout its relationship with Klarna. Based on the credit risk assessment, a counterparty is assigned a risk classification that correlates to a probability of default. For higher risk counterparties, Klarna extends settlement windows for payments to the counterparties to serve as collateral for their non-performance if a consumer returns products.

When a this category of receivable is determined to be uncollectible, the gross amount is written off through the allowance for expected credit losses in the credit losses, net on the income statement. Recoveries of the receivables that were previously written off are recognized when received in the credit losses, net on the income statement.

See more information in Note 14 on credit losses, net and Note 20 for loans to the public.

Significant inputs

Klarna utilizes a series of models to calculate allowance estimates, which depend on certain significant inputs.

Definition of default:

An asset is considered to be in default when it is 90 days or more past due on any payments, has entered debt collection or is classified as fraudulent.

Probability of Default (PD):

Historical balances as well as the proportion of those balances that have defaulted over time are used as a basis to determine the PD. This approach provides values for 12-month and lifetime PDs applied over different vintages for different countries and for days since origination. In cases where the maturity of the loans is very short (i.e., less than 12 months), which is common for Klarna's products, the 12-month PD and lifetime PD have equal values.

Loss Given Default (LGD):

LGD is the magnitude of the likely loss if there is a default. The LGD is dependent on geographical region, days past due, and, in some cases, recoveries from the sale of non-performing portfolios. The loss given default is calculated using the historical balances over different vintages as a basis. Furthermore, the LGD component is determined based on days past due.

Exposure at default (EAD):

EAD represents the estimate of the exposure at a future default date, taking into account expected changes in the exposure as of each reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

Measurement of ECL:

Expected credit loss estimates are based on these key inputs: PD, LGD and the EAD, which are derived from internal statistics and other external data. PD and LGD estimates are an accumulation of segmentation, such as product and geography, within each asset class, which are used to calculate the ECL on a collective basis. For unsecured assets, there is no collateral factored into the ECL calculations. For quantitative information on the reported ECL amounts see Note 20.

Write-off of financial assets

Loans to the public are written off when either the entire outstanding amount or a proportion thereof are considered uncollectible, which is generally when an outstanding balance is 180 days past due. For loans to the public, Klarna monitors significant counterparty relationships for current information and events to assess if there is a risk the counterparty is experiencing financial difficulty or is in breach of contract.

If a loan or receivable is determined to be uncollectible, the gross amount will be charged off through the allowance for expected credit losses. Charged-off balances may still be subject to enforcement activities to attempt to recover the amounts due. When enforcement activities are exhausted or the loan or receivable is sold to an external party, the loan or receivable is formally written off in Klarna's systems.

For information on the written-off loans to the public, including those subject to enforcement activities, see Note 20.

Sale of uncollectible consumer receivables:

Klarna enters into agreements to sell certain uncollectible receivables to debt collection agencies to maximize recovery and manage credit risk. These uncollectible receivables are sold on a non-recourse basis, with the Group transferring substantially all risks and rewards of ownership to the debt collection agencies meeting the derecognition criteria on the date of sale. When a receivable is deemed to be uncollectible it is written down to the recoverable amount.

Recoveries

Recoveries for consumer receivables that were previously written off are recognized when received in net credit losses in the income statement.

11) Commitments

In the normal course of business, Klarna is a party to the following non-cancelable commitments:

Loan funding commitments

Klarna has a commitment to purchase certain consumer loans by originating bank partners in the United States. Upon purchase of these consumer loans, Klarna recognizes them on the consolidated balance sheet. Beginning in 2024, Klarna is required to communicate credit limits to its Norwegian customers, for which Klarna has a commitment to fund. Upon a customer drawing on the commitment, Klarna recognizes it on the consolidated balance sheet.

Consumer refund commitment

Klarna offers a buyer protection policy that serves as a commitment, obligating the Company, under certain circumstances, to reimburse consumers if a merchant does not adequately resolve a purchase return for purchases made using a Klarna payment method. These commitments are accounted for through a provision. The measurement of the provision begins with the credit risk rating of merchants for which Klarna is providing the commitment. The risk rating correlates to a PD which is multiplied by the estimated gross exposure to estimate the provision. It is calculated based on historically observed return rates and included in provisions, see Note 33. The commitment is disclosed in Note 34.

Synthetic Securitization

Klarna enters into synthetic securitization transactions with unconsolidated securitization vehicles ("SPV"), where it economically transfers a portion of credit risk for certain pools of consumer receivables (the "referenced pools") with the primary objective to lower the regulatory capital risk weights of the underlying assets. Credit risk for each referenced pool is separated into three tranches: junior, mezzanine and senior. The Company retains the risk for the junior and senior tranches and transfers risk for the mezzanine tranche to the SPV. The SPV then issues credit-linked notes to investors.

Klarna pays a fee to the SPV for the transfer of credit risk that is recorded as incurred in commission expense, see Note 38. This fee provides for a guarantee from the SPV to reimburse the Company for any credit losses incurred in the mezzanine tranche.

Klarna retains contractual rights to receive the cash flows of the referenced pools and does not derecognize these consumer receivables (within loans to the public) from its consolidated balance sheet. In accordance with IFRS 9 Financial Instruments, the Company estimates the expected credit losses for these consumer receivables for each period presented, in line with the Company's accounting policy for allowance for expected credit losses. The Company's estimated credit losses for the referenced pools was below the range of the mezzanine tranche for the periods presented. As a result, the Company has not made a claim against the guarantees issued by the SPVs. Should the Company experience credit losses within the mezzanine tranche, the Company's policy is to record recoveries from the SPV guarantees in net credit losses.

Forward flow Securitization

During 2024, Klarna entered into a forward flow loan sale arrangement with an unconsolidated securitization vehicle (the "SPV") whereby specified pools of consumer receivables ("eligible receivables") are transferred to the SPV. Klarna derecognizes these receivables upon transferring the contractual rights to the cash flows and substantially all associated risks and rewards. The transfers are deemed to occur on the sale date, at which point, the derecognition criteria are satisfied.

The specified pool of eligible receivables are classified as held for sale and measured at fair value through profit and loss (FVP&L) in "other assets" on the balance sheet, with changes in fair value recognized under net result from financial transactions in the income statement.

Under these transactions, Klarna continues to service the sold receivables on behalf of the SPV. Servicing income includes contractual fees specified in servicing agreements with these SPVs, earned from providing professional services such as cash flow collection and credit risk management in the event of customer defaults. The servicing fee is calculated daily by applying a fixed percentage to the outstanding loan principal balance, with revenue recognized on a monthly basis. As the servicing fee is deemed to represent a fair market fee, no servicing asset or liability is recognized in the financial statements. The servicing income is recorded under other operating income in the income statement.

12) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which Klarna has access at that date.

When available, Klarna measures fair value using the quoted price in an active market. If a quoted price in an active market is not available, the Group uses valuation methods that maximize the use of relevant observable inputs and minimize the use of unobservable inputs to determine fair value.

The fair value of a financial instrument on initial recognition is generally best evidenced by its transaction price (i.e., the fair value of consideration paid or received). If Klarna determines that the transaction price differs from the fair value and the fair value is not evidenced by a quoted price in an active market for an identical asset or liability nor based on a valuation method where unobservable inputs are considered to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is settled.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Level 1 in the fair value hierarchy consists of assets and liabilities where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities.

Level 2

Level 2 consists of assets and liabilities where the significant inputs used for valuation are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities and credit spreads.

Level 3

Level 3 includes estimated values based on assumptions and assessments where one or more significant inputs are not based on observable market information.

Klarna recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

13) Repurchase agreements

Repurchase agreement liabilities are used to obtain liquidity and fluctuate over time based on many factors, including market conditions, loans to the public and deposits from the public growth and balance sheet management activities.

Treasury bills chargeable at central banks and bonds and other interest-bearing securities are sold under agreements to repurchase at a specified future date are not derecognized from the balance sheet as Klarna retains substantially all of the risks and rewards of ownership. Assets under repurchase agreements are transferred to the counterparty and the counterparty has the right to sell or re-pledge the assets. Such securities are kept on the balance sheet and pledged as collateral when the securities have been transferred and cash consideration has been received. Payment received is recognized under liabilities to credit institutions. The difference between the sale and repurchase price is accrued over the life of the agreement using the effective interest rate and recognized within net result from financial transactions.

14) Derivative instruments and hedge accounting

Derivative instruments are reported in the balance sheet on their trade date and are measured at fair value, both initially and in subsequent periods. Derivative instruments are presented as other assets or other liabilities. Changes in the fair value of derivative instruments are included in the income statement in the item net result from financial transactions.

The Group uses hedge accounting for fair value hedges to manage the interest rate risk of liabilities.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in net result from financial transactions, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk. Any residual mismatch between the hedging instrument and the hedged item is recognized as ineffective.

When hedging interest rate risk, any interest accrued or paid on both the hedging derivative and the hedged item is reported in interest expense. If the hedge no longer meets the criteria for hedge accounting the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the period for which the item was hedged. If the hedged item is sold or repaid, the unamortized fair value adjustment is recognized immediately in net results from financial transactions.

15) Borrowing

Financial liabilities with regard to borrowing are categorized as liabilities which are initially recorded at fair value, net of transaction costs incurred and then at amortized cost and with application of the effective interest method. This category comprises liabilities to credit institutions, deposits from the public, debt securities in issue and subordinated liabilities. Where a borrowing is in a qualifying fair value hedge relationship, its carrying value is adjusted for changes in fair value attributable to the hedged risk.

Payables to merchants are recorded within other liabilities in the balance sheet. Payables to merchants arise when Klarna facilitates payment transactions for merchants and holds the corresponding funds on their behalf. The settlement cycle is dependent on the counterparty, but is usually within a few working days of the transaction. As a result, Klarna records a liability towards the merchant, representing the money owed to them. Payables to merchants are recognized at amortized cost. On settlement, the Group derecognizes these amounts from the balance sheet.

16) Leasing

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The length of a lease term includes options to extend or terminate the lease when it is reasonably certain that the Group will exercise those options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. For most leases, Klarna has judged that the lease term does not include additional periods after the initial period.

A right-of-use asset and a lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial costs, incentive payments, restoration costs and lease payments before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the remaining lease payments that are not paid at the commencement date. As most leases do not provide an implicit interest rate, the Group uses the incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments.

The lease liability is remeasured when there is any change in future lease payments arising, for example, from a change in an index, assessment or estimations on the usage of extension, termination or purchase options or the amount expected to be payable under a residual value guarantee. If a remeasurement of the lease liability occurs, a corresponding adjustment to the carrying amount of the right-of-use asset is made. Lease payments included in the measurement of the lease liability are fixed payments, variable lease payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option, if applicable. The Group excludes payments for related services and other components of a lease. Klarna presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the balance sheet.

Klarna has elected not to recognize right-of-use assets and liabilities for short-term leases and leases of low-value assets, mainly consisting of IT equipment and short-term rental of offices. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

17) Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the identifiable net assets acquired is recognized as goodwill. Acquisition-related costs, other than those incurred for the issuance of debt or equity instruments, are charged to the consolidated income statement as they are incurred.

18) Divestitures

Non-current assets or disposal groups are classified as held for sale when their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. The classification is made when the asset or disposal group is available for immediate sale in its present condition, and the sale is highly probable within one year. Upon such classification, the assets or disposal group is measured at the lower of their carrying amount and fair value less costs to sell.

The gain or loss on divestment is determined as the difference between the consideration received, net of transaction costs, and the carrying value of the net assets disposed of. The gain or loss is recognized within other income or general and administrative expenses in the income statement. Where goodwill has been allocated to the disposed operation, typically measured based on the relative values of the disposed operation, such goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal.

An operation is classified as discontinued when it represents a separate major line of business or geographical area of operations that either has been disposed of or is classified as held for sale. Refer to Note 40 for further details.

For foreign operations, cumulative foreign currency translation differences previously recognized in other comprehensive income are reclassified to the income statement upon divestment. This reclassification is included as part of the gain or loss on disposal.

19) Intangible assets

Goodwill

Goodwill represents the excess of consideration paid over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is reviewed for impairment annually and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Impairment of goodwill is not reversed. The Group monitors goodwill for impairment considerations at the operating segment level. In the event of a disposal that qualifies as a business, or where there is a significant organization of the business, goodwill is allocated based upon relative fair values.

Trademarks, tradenames, licenses and other customer-related intangible assets

Identifiable intangible assets following business combinations include trademarks, tradenames, licenses, developed technology and customer relationships. Acquired intangible assets are recorded at fair value on the date of acquisition and amortized over their estimated useful lives, generally 3-20 years. The Group reviews the carrying amounts of intangible assets for impairment at the asset group level whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable.

Capitalized development costs and licenses

Costs associated with IT systems and software, whether developed internally or acquired, are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that the asset will be available for use or sale;
- Adequate resources are available to complete the development;
- There is an intention to complete and use the intangible asset for the provision of services;
- Use of the intangible asset will generate probable future economic benefits; and
- Expenditures attributable to the intangible asset can be measured reliably.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable capitalized development costs and licenses (generally, 3-5 years) and reported within depreciation, amortization and impairments in the income statement. Costs related to development activities that do not satisfy the above criteria, including for maintenance, are expensed as incurred.

Impairment

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually. This is tested by estimating the recoverable amount, which is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is lower than the carrying amount, the asset is written down. See Note 23 for further information on the measurement of goodwill and significant assumptions used in the annual impairment test.

Intangible assets with finite useful lives undergo impairment testing whenever events or changes in circumstances suggest that the carrying amount might not be recoverable.

20) Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and impairment. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets, generally, applying the following useful lives to each tangible asset class:

Asset class	Useful life
Equipment, tools, and fixtures and fittings	5 years
Computers and other machinery	3 years
Leasehold improvements	The shorter of lease term and useful life

If there is an indication that the recoverable value is less than the carrying amount, an impairment review is completed and any impairment loss is recognized within depreciation, amortization and impairments in the income statement. The cost and accumulated depreciation for an tangible asset that is sold, retired or otherwise disposed of are derecognized and the resulting gains or losses are recorded in the income statement.

21) Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The product offerings from which revenues are recognized do not differ in any significant way between geographical markets. Revenue at Klarna relates to interest income, commission income and other operating income which is defined below.

Interest income

Interest income includes the interest consumers pay to spread the cost of transactions over longer time with one of the Group´s fairer financing products or when they delay the settlement of transactions with the Group´s payment flexibility feature. The group also recognize interest income related to incremental fees earned from certain merchants for the provision of interest-free promotional loans to their consumers.

Interest income on financial assets measured at amortized cost, and certain fees charged for payment flexibility features, are recognized in the income statement using the effective interest method.

Interest income also includes interest from treasury bills issued by central banks. See Note 5.

From time to time, we may enter into contracts with merchants for which we pay a fee for their role as intermediary in arranging a consumer financing facility. We recognize such fees as a reduction of interest income.

Commission income

Revenues for different types of services are reported as commission income or commission expenses.

Merchant revenue

Merchant revenue refers to fees paid by the merchants, generated when consumers transact on Klarna's network. It includes merchant fees, interchange revenue and fees for settling disputes. Merchant revenue is derived from the volume of transactions Klarna process multiplied by the fees charged, which vary among the Group's geographies. The pricing is a combination of value-based and fixed pricing, charged either ad valorem (proportional to the estimated value of goods and services purchased on Klarna's network) or fixed fees on each transaction, or a mix of both. Where consumers return merchandise or goods and merchants process a refund, merchant fees charged for the original transaction are not returned to the merchant.

The Group's contracts with merchants consist of a master agreement including terms, conditions and pricing. Klarna is not obligated to perform under the contract until a transaction occurs and thus each transaction represents a separate performance obligation to the merchant as the customer. The Group's service offering comprises a single performance obligation to merchants to facilitate transactions with consumers. The transaction price is recognized at the point in time when the merchant successfully confirms the transaction, which is when the terms of the contract are fulfilled. The Group provide a reduction of merchant fees to certain merchants based on performance measures, including volume of processed transactions. Such fee rebates are recorded as a reduction of merchant revenue. Klarna also enter into contracts with certain merchants to expand the user base and market presence, and for brand promotion through co-marketing activities, as detailed in section *Promotional and marketing arrangements below*.

Consumer revenue

Consumer revenue refers to revenue the Group earn from consumer fees, primarily consisting of reminder fees and Klarna card ownership fees. The consumer may be charged a fee, being a fixed amount that constitutes the transaction price. Reminder fees are a tool to incentivize repayment and cover our costs. We keep them low relative to the overall purchase amount and only apply them to missed payments once the consumer has been given the chance to catch up. The transaction price is recognized at the point in time the performance obligation is satisfied based on the terms of the executed consumer agreement.

The Group's contracts with Klarna card consumers as the customer are defined by terms and conditions at the outset of the customer relationship. Each transaction represents an individual and separate performance obligation. The Group´s contracts with consumers not using Klarna card are defined by the terms and conditions at the transaction level and each transaction represents a separate contract with the consumer as Klarna's customer.

Distribution partner referral arrangements

Klarna enter into contracts with third-party partners to distribute Klarna's payment solutions to the merchants. For these contracts, the Group evaluate who the customer is and if Klarna is acting as the principal or agent in the specific arrangement. Generally, the Group's customer is considered to be the merchant and Klarna are considered to be the principal in these arrangements, while third-party partners are determined to be an agent in the transaction. The Group recognize incremental costs of obtaining a contract in accordance with IFRS 15 “Revenue from Contract with Customers” for the commission paid to these third party partners. These expenses are classified within commission expenses in the income statement.

Promotional and marketing arrangements

Klarna also enter into contracts with certain merchants to expand the Group´s user base and market presence, and for brand promotion through co-marketing activities in exchange for cash and/or share warrants provided to the selected partners, including merchants. The Group evaluate if the consideration payable is in exchange for a distinct good or service. Where Klarna conclude the payment is for a distinct good or service, it is recognized as general administrative expenses. If a payment is assessed to be other than for a distinct good or service, it is recognized as a reduction to the transaction price. The Group recognize commercial agreement assets where the consideration represents a probable future economic benefit to be realized over the expected benefit period. These costs are amortized over the useful life of the contract, which is typically between 3-5 years.

From time to time the Group may offer promotions to consumers (that are not Klarna's customers in the merchant fee transaction) with the purpose of acquiring new consumers, promoting the Klarna brand, and use of the Klarna app and payment options. These promotions represent a reduction on the total amount collected from consumers. Where the Group assess there is no explicit or implicit expectation for promotions to be provided, Klarna recognize within general administrative expenses. Where the Group assess there is an expectation, the cost of the promotion is recognized as a reduction in the revenue earned from the transaction, with any excess of the cost of the promotion above the revenue recognized within general administrative expenses.

Other operating income

Advertising revenue is earned from merchants who place advertisements on Klarna's network, including sponsored search, affiliate programs and brand ads. Klarna enter into contracts for advertising either directly with merchants or through other third parties. The transaction price is determined based on the advertising model, with fees that may be fixed or variable, typically based on the number of impressions delivered or actions taken by users, such as clicks or purchases. Revenue from impression-based ads is recognized in the period when an ad is displayed to users. For action-based ads, revenue is generally recognized at a point in time, when a specified action, such as a click or purchase, occurs.

The Group´s contracts for advertising services are separate from other merchant contracts and include a single performance obligation. For advertising revenue generated through other third parties, the Group recognize revenue on a gross basis if Klarna is the principal and on a net basis if Klarna is the agent. This assessment is based on whether Klarna control the service before it is delivered to the customer.

22) Interest expenses

Interest expenses are the costs associated with funding our consumer financing solutions and include interest that we pay on our deposits from the public, calculated using the effective interest method, and fair value adjustments on receivables held for trading in connection with forward flow agreements.

23) Commission expenses

Expenses for different types of services are reported as commission expenses, such as partner commissions. Partner commission is an expense Klarna has towards its distribution partners, the expense is dependent on the specific contract.

24) Net result from financial transactions

The net result from financial transactions comprises the net profit or loss on the trading or disposal of financial instruments, value changes of financial instruments that are measured at fair value through profit or loss, net profit or loss on currency exchange activities or other recognized changes in the value of assets or liabilities, to the extent they can be attributed to exchange rate changes and other financial income and expenses not directly attributable to a financial instrument.

25) Credit losses, net

Impairment losses from loans to the public are reported as credit losses, net.

Credit losses, net for the period consist of realized credit losses, recovered amounts from debt sales and provisions for credit losses for granted credit with a deduction for the reversal of provisions for credit losses made previously. Realized credit losses are losses whose amount is, for example, determined via bankruptcy, a composition arrangement, a statement by an enforcement authority or the sale of receivables.

26) Income taxes

Income taxes consist of current tax and deferred tax. Income taxes are reported directly in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income, in which case also the accompanying tax is reported in equity or other comprehensive income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is reported according to the balance sheet method for all temporary differences between an asset's or a liability's tax base and its carrying amount in the balance sheet. Deferred tax assets are reported for deductible temporary differences to the extent it is probable that the taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Group assesses on an ongoing basis as well as at the end of the year the possibility of recognizing deferred tax assets related to tax losses carried-forward. Deferred tax assets attributable to tax losses carried forward are reported only if it is probable that they will be used towards taxable profits in the foreseeable future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the probability of taxable profits being available in the future and the quantum of taxable profits that are forecasted to arise. These judgments include management's expectations of the growth of profit before tax in different jurisdictions, forecasted revenues and expenses, and the timing of the reversal of taxable temporary differences.

Uncertain tax positions are measured on an ongoing basis and the method is determined by taking all known facts and circumstances into account.

27) Share-based payments

Klarna offers equity-based programs to employees and certain third-party contributors, including merchants, partners and service providers.

Employee Restricted Share Unit Program and Individual Contributor Share Warrants and Stock options

Restricted share units ("RSU") granted to employees vest on a graded vesting schedule over a four-year period. For share warrants granted to certain individual contributors, including employees as well as executive officers and directors, the services rendered are measured with reference to the grant-date fair value of the equity instruments using a Black-Scholes model. The cost of the share-based payments granted to employees is recognized over the vesting period, which represents the period the service conditions are fulfilled. The expense is presented under general administrative expenses in the income statement. The employment vesting condition is a non-market based condition and a forfeiture estimate is factored into the assumption of how many equity instruments are expected to vest.

Any related social security charges relating to share-based payments are recognized as an expense during the corresponding period based on the fair value that serves as the basis for a payment of social security charges. The expense is presented under general administrative expenses in the income statement. In many jurisdictions, tax authorities levy taxes on share-based compensation transactions with employees that give rise to a personal tax liability for the employee. In some cases, Klarna is required to withhold the tax due and to settle it with the tax authority on behalf of the employees. To fulfill this obligation, the terms of Klarna's restricted share unit arrangements permit the Group to withhold the number of shares that are equal to the monetary value of the employee's tax.

Partner Share Warrants

Klarna has granted share warrants to certain partners, including merchants and other service providers, in return for services. Share-based payments to partners are generally measured at the fair value of the goods or services received, and measured at the time when such goods and services are received. If the fair value of goods and services cannot be reliably measured, the fair value of the equity instruments is used. The Group recognize commercial agreement assets where the consideration paid represents a future economic benefit, and these assets are amortized over the contract period, and recognized within general administrative expenses where the payment is in exchange for a distinct service, or as a reduction to transaction prices if in exchange for no distinct service.

Further information relating to share-based payment transactions is presented in Note 39.

28) Provisions

The Group recognizes provisions for present obligations arising for past events when payment of the obligations is probable and can be reliably estimated. Provisions primarily consists of consumer refund commitment, and pending legal and tax litigation.

Refer to commitments policy above and Note 34 for information regarding the Group's provisions for consumer refund commitment.

Klarna operates in a regulatory and legal environment that, by nature, involves an element of litigation risk inherent to its operations and from time to time Klarna may be party to litigation, arbitration and regulatory investigations and proceedings arising during the ordinary course of business. When Klarna can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, a provision is recorded. Given the subjectivity and uncertainty of determining the probability and amount, a number of factors are assessed, including legal advice, the stage of the matter and historical evidence from similar incidents. Judgment is required in concluding such assessments.

29) Employee Benefits

Employee benefits include all forms of consideration provided by the Group in exchange for services rendered by employees, including post-employment pension plans. The Group's pension plans are defined contribution plans, which means that contributions are made to an independent legal entity according to a fixed pension plan. These contributions are recognized as personnel costs in the period they apply to. After the contributions are made, the Group has no legal or other obligations.

30) Group contribution

Group contribution is recognized in the parent company according to its financial nature. Group contribution received from a subsidiary is reported according to the same principles as dividend received. For parent companies this means that group contribution received is reported as revenue in the income statement. Group contribution paid by a parent company to a subsidiary is to be reported as increased participation in the group company. For subsidiaries that pay or receive group contribution, this is to be reported together with the accompanying tax in equity among retained earnings.

31) Reclassifications of comparatives

During the current period, ended December 31, 2024, Klarna refined revenue recognition policies relating to specific items within commission income and interest income and reclassified the 2023 presentation accordingly:

- Certain administrative fees earned were reclassified to Interest income from commission income. The fees reclassified for the period ended December 31, 2023 amounted to SEK 1,021m for group and SEK 1,017m for parent.
- Certain fees paid to merchants, for their role as intermediary in arranging a consumer financing facility, were reclassified as a reduction of interest income from commission expense. The fees reclassified for the period ended December 31, 2023 amounted to SEK 141m for group and SEK 140m for parent.

During the current period, ended December 31, 2024, the group reassessed its accounting treatment for the convertible bonds issued by one of its subsidiary. As a result, the parent company restated and reallocated SEK 374m of previously recognized gains from 2023 to prior periods, reducing 2023 opening balance retained earnings of SEK 96m and SEK 278m of 2023 net result from financial transactions.

Note 3 Risk management

Klarna’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to comply with regulatory capital requirements.

Regulatory requirements

Within the Group, Klarna Bank AB (publ), is subject to the regulatory capital requirements imposed by the SFSA. The regulatory capital framework requires Klarna to maintain a minimum level of capital to cover its operational, credit, and market risks. Klarna's regulatory capital is composed of Tier 1 and Tier 2 capital, which include common equity, retained earnings, and subordinated debt.

Capital adequacy

Klarna monitors its capital adequacy ratio and Internal Liquidity Adequacy Assessment Process (“ICLAAP”) in accordance with the regulatory definition of these measures. As of December 31, 2024 and December 31, 2023, respectively, Klarna was in compliance with these requirements. More information regarding capital adequacy is disclosed in Note 39.

Capital structure

Klarna’s capital structure is regularly reviewed by the board of directors. The review involves assessing the cost of capital and ensuring compliance with regulatory capital requirements. The key components of Klarna’s capital structure include:

Equity: Common shares, additional paid-in capital, and retained earnings.

Debt: Debt obligations, including subordinated debt.

Risk descriptions

The Group categorizes the key risks it is exposed to in the sections below. These risk categories form the basis of how Klarna identifies, assesses, manages and monitors risk.

Credit risk

Definition

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations or concentrations in exposure. To manage the Group's credit risk, cash and securities held are placed with financial institutions that management believes are of high credit quality, and the quality of the Group's lending is closely monitored through our underwriting process. Klarna makes real-time underwriting decisions for each transaction, leveraging its records, including the customer's history with Klarna and purchase behavior from active Klarna consumers, merchant data, credit reports and open banking data to understand the financial position of the consumer at that point in time. For further details on credit risk, refer to Note 2.

Risk Measurement and Exposure

	Group		Parent Company	
Credit risk	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2023**
Loan receivables, gross	106,443	94,688	96,412	86,031
Allowance for credit losses	(3,859)	(3,498)	(2,880)	(2,909)
Loan receivables, net carrying amount	**102,584**	**91,190**	**93,532**	**83,122**
of which: Loans to credit institutions	7,749	4,500	4,925	1,880
of which: Loans to the public	93,970	86,108	87,689	80,958
of which: Accrued income	865	582	918	284

See more information of stage allocation and movements in Loans to the public in Note 20.

	Group		Parent Company	
Credit quality of debt securities	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2023**
Treasury bills chargeable at central banks, etc., and bonds and other interest-bearing securities				
AAA	6,650	5,643	6,650	5,643
AA+	101	746	101	746
AA	–	1,066	–	1,066
AA-	782	318	782	318
Total	**7,533**	**7,773**	**7,533**	**7,773**

Market risk

Definition

Market risk is the risk of movements in market prices impacting Klarna's earnings or capital position.

Risk Measurement and Exposure

Currency exposure[1]

The table below shows the net average currency exposure and the effects of a 10% change in foreign exchange rates on the exposure as of the end of the period.

Group	EUR	USD	GBP	Other	Total exposure
Dec 31, 2024					
Net average currency exposure	211	121	110	227	**669**
Effect of 10% change	(21)	(12)	(11)	(23)	**(67)**
Dec 31, 2023					
Net average currency exposure	293	114	45	277	**729**
Effect of 10% change	(29)	(11)	(5)	(28)	**(73)**

Parent Company	EUR	USD	GBP	Other	Total exposure
Dec 31, 2024					
Net average currency exposure	216	116	107	211	**650**
Effect of 10% change	(22)	(12)	(11)	(21)	**(66)**
Dec 31, 2023					
Net average currency exposure	194	95	60	107	**456**
Effect of 10% change	(19)	(9)	(6)	(11)	**(45)**

[1] The amounts are presented in SEKm.

Interest rate exposure[1]

As a bank, Klarna is required to monitor exposures toward interest rate risks using the Economic Value of Equity (EVE) approach according to the relevant EBA regulations and SFSA methodologies. The EVE approach measures interest rate driven changes to the net present value of future cash flows generated by balance sheet items. The change to EVE is measured using various interest rate scenarios and including parallel shifts.

The table below short the change in the EVE after applying a parallel shift to the yield curve.

Group	SEK	EUR	USD	GBP	Other	Total
December 31, 2024						
-200 bps parallel shift in interest rates	(33)	(375)	9	70	–	**(328)**
+200 bps parallel shift in interest rates	32	349	(7)	(66)	–	**308**
December 31, 2023						
-200 bps parallel shift in interest rates	43	(432)	55	40	3	**(291)**
+200 bps parallel shift in interest rates	(40)	411	(53)	(38)	(3)	**277**

Parent	SEK	EUR	USD	GBP	Other	Total
December 31, 2024						
-200 bps parallel shift in interest rates	(33)	(428)	69	40	3	**(274)**
+200 bps parallel shift in interest rates	32	349	20	5	–	**406**
December 31, 2023						
-200 bps parallel shift in interest rates	42	(428)	69	40	3	**(274)**
+200 bps parallel shift in interest rates	(40)	407	(67)	(38)	(3)	**259**

Liquidity Risk

Definition

The risk of the Group being unable to meet its financial obligations, as they fall due, or unable to fund its operational needs without incurring unacceptable costs.

Risk Measurement and Exposure

The Group complies with all liquidity regulatory requirements, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and monitoring and management of Klarna's liquidity survival horizon.

[1] The amounts are presented in SEKm

Funding obligations

Below table summarizes the undiscounted contractual cash flows related to financial liabilities, prior year figures have been updated. Interest is included in the amounts disclosed to contractual maturity date. In line with the requirements in FFFS (2008:25), a maturity split is also added for specific assets.

Group 31 Dec 2024	Payable on demand	up to 3 months	>3 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	–	524	951	–	–	1,475
Deposits from the public	28,527	22,137	35,950	23,256	–	109,870
Debt securities issued	–	168	56	1,554	–	1,778
Other liabilities	5,119	9,749	327	740	98	16,033
of which: relates to lease liabilities	–	*66*	*185*	*677*	*98*	*1,026*
Accrued expenses	–	2,800	630	545	–	3,975
Total	**33,646**	**35,378**	**37,914**	**26,095**	**98**	**133,131**
Specific assets						
Loans to credit institutions	5,515	2,226	8	–	–	7,749
Loans to the public	45,150	42,977	7,316	4,277	–	99,720
Total	**50,665**	**45,203**	**7,324**	**4,277**	**–**	**107,469**

Group 31 Dec 2023	Payable on demand	up to 3 months	>3 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	363	372	901	–	–	1,636
Deposits from the public	18,692	13,879	51,990	14,166	–	98,727
Debt securities issued	–	570	4	85	–	659
Other liabilities	–	10,201	289	8,283	129	18,902
of which: relates to lease liabilities	–	*90*	*211*	*894*	*151*	*1,346*
Accrued expenses	–	2,691	806	66	–	3,563
Total	**19,055**	**27,713**	**53,990**	**22,600**	**129**	**123,487**
Specific assets						
Loans to credit institutions	2,761	1,735	9	–	–	4,505
Loans to the public	38,385	43,215	7,040	932	–	89,572
Total	**41,146**	**44,950**	**7,049**	**932**	**–**	**94,077**

Parent Company **31 Dec 2024**	**Payable on demand**	**up to 3 months**	**>3 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Financial liabilities						
Liabilities to credit institutions	–	31	951	–	–	982
Deposits from the public	28,476	21,737	35,947	23,243	–	109,403
Debt securities issued	–	168	56	1,554	–	1,778
Other liabilities	9,580	8,778	203	681	98	19,340
of which: relates to lease liabilities	–	*58*	*180*	*677*	*98*	*1,013*
Accrued expenses	–	2,383	614	533	–	3,530
Total	**38,056**	**33,097**	**37,771**	**26,011**	**98**	**135,033**
Specific assets						
Loans to credit institutions	4,059	866	–	–	–	4,925
Loans to the public	54,781	27,372	4,785	4,643	–	91,581
Total	**58,840**	**28,238**	**4,785**	**4,643**	**–**	**96,506**

Parent Company **31 Dec 2023**	**Payable on demand**	**up to 3 months**	**>3 to 12 months**	**>1-5 years**	**>5 years**	**Total**
Financial liabilities						
Liabilities to credit institutions	363	–	901	–	–	1,264
Deposits from the public	18,593	13,780	51,891	14,156	–	98,420
Debt securities issued	–	570	4	85	–	659
Other liabilities	–	15,441	239	8,145	96	23,921
of which: relates to lease liabilities	–	*70*	*177*	*704*	*96*	*1,047*
Accrued expenses	–	2,110	788	65	–	2,963
Total	**18,956**	**31,901**	**53,823**	**22,451**	**96**	**127,227**
Specific assets						
Loans to credit institutions	1,798	73	9	–	–	1,880
Loans to the public	44,644	28,716	6,565	8,140	–	88,065
Total	**46,442**	**28,789**	**6,574**	**8,140**	**–**	**89,945**

Of the treasury bills chargeable at central banks, etc., SEK 6,260m (3,549m) have a remaining maturity of up to one year. Of the bonds and other interest-bearing securities, SEK 119m (404m) have a remaining maturity of up to one year.

The Group's commitments for loan funding are disclosed in Note 34. Obligations related to the Group's securitization transactions had contractual maturities of less than 12 months and are disclosed in Note 38.

Operational Risk

Definition

The risk of inadequate or failed processes, personnel, products or third parties.

Risk Measurement and Exposure

Risks are assessed by impact and likelihood that together generate the risk level. Impact is evaluated through; financial, operational, regulatory, reputational, internal and strategic aspects. The risk exposure is monitored frequently, and reported to Executive Management and the Board at least quarterly, in addition to the risk appetite escalation process.

ICT and Security Risk

Definition

The risk of failures or breaches in information or communication systems including system outages, software failures, data breaches, physical security breaches or cyber-attacks.

Risk Measurement and Exposure

Risks are assessed by impact and likelihood that together generate the risk level. Impact is evaluated through: financial, operational, regulatory, reputational, internal and strategic aspects, as well as confidentiality, integrity and availability loss. The risk exposure is monitored frequently and reported to Executive Management and the Board at least quarterly in addition to the risk appetite escalation process.

Business Risk

Definition

The risk of suboptimal strategy selection or sustainability factors impacting the achievement of Klarna's business objectives or altering the long term valuation or viability of the business.

Risk Measurement and Exposure

New Business plans are developed and reviewed yearly. Achievement against the plan is reviewed monthly by the group management team, via detailed updates on key financial and business metrics.

Note 4 Operating segments and income by geographical area

Klarna determines operating segments based on how our Chief Operating Decision Maker ("CODM") manages the business, makes operating decisions around the allocation of resources, and evaluates Klarna's operating performance.

Klarna's CODM role is fulfilled by the executive officers as a group, who collaboratively assess financial performance and make resource allocation decisions on a consolidated basis. Klarna operates as one operating segment and has one reportable segment.

Geographic information

Net operating income less net result from financial transactions are presented by major geographic regions based upon the billing address of the consumer. Interest income derived from the banking activities of the Group is based on the geographic location of the financial institution for which financial instruments have been purchased.

Group[1]	2024	2023
United States	7,821	5,995
Germany	6,404	5,648
Sweden[2]	4,030	2,305
United Kingdom	3,218	2,594
Other countries	4,698	3,971
Total net operating income less net result from financial transactions	**26,171**	**20,513**

Total net operating income is net of Commission expense, Interest expense and Net result from financial transactions. These items impact larger markets proportionally more and thus comparing growth in total net operating income may not accurately reflect underlying market growth.

No individual country within other countries contributed more than 10% of revenues.

[1] 2023 geographical split have been re-presented following specific allocation keys to mirror internal reporting.
[2] 2024 net operating income allocated to Sweden includes the recognized gain from sale of KCO of SEK 1,810m. See Note 40.

The following table presents Klarna’s net operating income, less net result from financial transactions disaggregated by category:

Group	2024	2023
Income from merchants and partners	17,944	15,370
Consumer income	3,633	2,517
Net interest income	2,586	2,585
Other income[1]	2,008	41
Total net operating income less net result from financial transactions	**26,171**	**20,513**

Income from merchants and partners

Income from merchants and partners consists of merchant revenue and advertising revenue, net of commission expenses which amounted to SEK 1,202m (552m). Merchant revenue refers to fees paid by Klarna's merchants, generated when consumers transact on our network. It includes merchant fees, interchange revenue and fees for settling disputes. Advertising revenue is earned from merchants who place advertisements on our network, including sponsored search, affiliate programs and brand ads.

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

Parent Company	Sweden	Germany	United Kingdom	Other[2]	Total
2024					
Interest income	2,987	2,258	267	3,091	8,603
Commission income	1,196	5,075	2,896	4,822	13,989
Dividends received	8	-	1,475	–	1,483
Other operating income	2,311	747	248	1,095	4,401
Total	**6,502**	**8,080**	**4,886**	**9,008**	**28,476**
2023					
Interest income	2,174	1,917	245	1,902	6,238
Commission income	1,287	4,039	2,525	3,572	11,423
Dividends received	12	-	15	76	103
Other operating income	180	1,079	114	373	1,746
Total	**3,653**	**7,035**	**2,899**	**5,923**	**19,510**

Parent Company External customer revenue split by income categories	2024	2023
Merchant	9,965	8,513
Consumer	5,013	4,822
Total	**14,978**	**13,335**

Klarna’s non-current assets, comprised of tangible, intangible assets, and other assets that are expected to be recovered more than twelve months after the reporting period.

[1] Other revenue in 2024 included gain from sale of subsidiaries primarily driven by the divestment of KCO. See more information in Note 40.

[2] No individual country within other countries contributed more than 10% of revenues.

Group	2024	2023
Sweden	4,520	10,162
Germany	2,117	2,349
United Kingdom	1,843	1,517
United States	31	570
Other countries	3,665	2,054
Total non-current assets	**12,176**	**16,652**

No individual country within other countries made up more than 10% of non-current assets.

Note 5 Interest income

	Group		Parent Company	
	2024	2023	2024	2023
Loans to the public[1]	5,629	4,587	5,507	4,583
Loans to credit institutions	1,201	506	1,186	485
Group companies	4	–	1,593	538
Other interest income	319	632	317	632
Total	**7,153**	**5,725**	**8,603**	**6,238**

Interest income includes the interest consumers pay to spread the cost of transactions over longer time with one of the Group´s fairer financing products or when they delay the settlement of transactions with the Group´s payment flexibility feature. The group also recognize interest income related to incremental fees earned from certain merchants for the provision of interest-free promotional loans to their consumers.

Interest income from loans to the public for 2023 is updated following a reclassification of SEK 880m for Group and SEK 877m for Parent. Refer to section Reclassifications of comparatives in Note 2.

Note 6 Interest expenses

	Group		Parent Company	
	2024	2023	2024	2023
Deposits from the public	(3,624)	(2,356)	(3,624)	(2,356)
Group companies	(445)	(328)	(722)	(601)
Interest-bearing securities and chargeable treasury bills etc.	(199)	(202)	(199)	(202)
Liabilities to credit institutions	(182)	(140)	(169)	(124)
Debt securities issued	(70)	(49)	(70)	(49)
Subordinated liabilities	–	(11)	–	(11)
Other interest expenses	(46)	(54)	(42)	(51)
Total	**(4,566)**	**(3,140)**	**(4,826)**	**(3,394)**

[1] Items within loans to the public have been reclassified as detailed in Note 2.

Note 7 Leases

Klarna’s leases are primarily comprised of office facilities and IT office equipment with various expiration dates through December 2031. We have the option to renew or extend our leases, and certain agreements also provide the option to terminate with prior written notice. As of December 31, 2024 and December 31, 2023, we have not included these provisions in determining the lease term, as it is not reasonably certain that these options will be exercised.

During 2024 and 2023 Klarna recognized impairment loss of SEK 58m and SEK 341m respectively, related to the early termination of certain lease agreements for office space. The parent company recognized impairment loss of SEK 50m (330m)

Refer to Note 24 for additional information regarding right-of-use assets.

The following table presents lease expenses and expenses for short-term and low-value leases recognized in 2024 and 2023:

	Group		Parent Company	
	2024	2023	2024	2023
Depreciation of right-of-use assets	(174)	(295)	(143)	(217)
of which: buildings	(174)	(292)	(143)	(214)
of which: cars	–	(1)	–	(1)
of which: other	–	(2)	–	(2)
Impairments of right-of-use assets	(58)	(341)	(50)	(330)
Interest expense for lease liabilities	(30)	(43)	(28)	(40)
Total right-of-use lease cost	**(262)**	**(679)**	**(221)**	**(587)**
Expenses relating to short-term leases	(109)	(72)	(55)	(49)
Expenses relating to low-value assets	(5)	–	(4)	–
Income of sub-leasing right-of-use assets	6	–	–	–
Total short-term and low value leases	**(108)**	**(72)**	**(59)**	**(49)**

Note 8 Commission income

	Group		Parent company	
Commission income split by product category	2024	2023	2024	2023
Merchant	16,578	14,023	10,803	9,060
Consumer[1]	3,566	2,620	3,018	2,244
Other	198	162	168	119
Total	**20,342**	**16,805**	**13,989**	**11,423**

Commission income for 2023 is updated following a reclassification of certain fees, see section *Reclassifications of comparatives* in Note 2, resulting in a decrease in commission income of SEK 1,021m for Group and SEK 1,017m for Parent within the line "consumer".

[1] Items within commission income have been reclassified as detailed in Note 2.

Note 9 Commission expenses

	Group		Parent Company	
	2024	**2023**	**2024**	**2023**
Commission to partners[1]	(860)	(630)	(3,251)	(3,001)
Other commissions	(342)	(232)	(342)	(232)
Total	**(1,202)**	**(862)**	**(3,593)**	**(3,233)**

Commission expenses for 2023 is updated following a reclassification, see section *Reclassifications of comparatives* in Note 2, resulting in a decrease in commission expenses of SEK 141m for Group and SEK 140m for Parent, within the line "commission to partners".

Note 10 Net result from financial transactions

	Group		Parent Company	
	2024	**2023**	**2024**	**2023**
Realized and unrealized movements in exchange rates	(52)	215	53	176
Gains from financial instruments (restated)	35	253	35	41
Losses from financial instruments (restated)	(775)	(603)	(460)	(698)
Realized and unrealized gains (losses) on shares held in listed and unlisted companies	24	(16)	24	(15)
Total	**(768)**	**(151)**	**(348)**	**(496)**

As of December 31, 2024, Klarna Bank AB (publ) had entered into derivatives with the gross nominal amount of SEK 81,511m (60,960m), see Note 26.

Net result from financial transactions for 2023 is restated for Parent, see section *Reclassifications of comparatives* in Note 2, resulting in a decrease in net result from financial transactions of SEK 278m (impacting the lines gains and losses from financial instruments).

[1] Items within commission expenses have been reclassified as detailed in Note 2.

Note 11 Employees and personnel costs

	Group				Parent company			
	2024		2023		2024		2023	
Average number of full-time equivalents	**Total**	**whereof women**	**Total**	**whereof women**	**Total**	**whereof women**	**Total**	**whereof women**
Sweden	1,727	683	2,327	989	1,599	648	2,195	952
Germany	957	293	1,115	377	861	270	957	343
United States	292	162	476	270	–	–	–	–
United Kingdom	242	111	324	150	218	102	307	141
Italy	176	34	189	45	–	–	–	–
Spain	103	38	169	82	–	–	–	–
Netherlands	57	26	80	39	–	–	–	–
Canada	27	8	46	13	–	–	–	–
Denmark	33	12	37	15	5	3	8	5
France	26	12	36	16	26	12	36	16
Australia	14	7	35	22	–	–	–	–
Poland	40	13	35	12	–	–	–	–
Norway	19	10	31	16	–	–	–	–
Finland	12	6	25	15	–	–	–	–
Ireland	15	6	21	9	15	6	21	9
Austria	11	6	11	7	–	–	–	–
Portugal	8	2	–	–	7	2	–	–
Belgium	3	–	6	2	–	–	–	–
Greece	4	1	–	–	3	1	–	–
Japan	2	–	3	–	–	–	–	–
Mexico	2	–	3	1	–	–	–	–
New Zealand	2	–	2	–	–	–	–	–
Switzerland	3	2	1	–	3	2	1	–
Czech Republic	1	–	–	–	1	–	–	–
Romania	1	1	–	–	1	1	–	–
Serbia	1	1	–	–	1	1	–	–
Total	**3,778**	**1,434**	**4,972**	**2,080**	**2,740**	**1,048**	**3,525**	**1,466**

Salaries, other remuneration, social security and pension expenses	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Salaries and other remuneration attributable to:				
Board and CEO	(256)	(24)	(256)	(24)
Other employees[1]	(3,808)	(3,807)	(2,514)	(2,399)
Total salaries and other remuneration	**(4,064)**	**(3,831)**	**(2,770)**	**(2,423)**
Statutory and contractual social security expenses	(1,165)	(1,159)	(933)	(906)
of which: pension expenses	(260)	(272)	(214)	(221)
Total salaries, other remuneration, social security and pension expenses	**(5,229)**	**(4,990)**	**(3,703)**	**(3,329)**

[1] 2023 other remuneration have been re-presented to include warrant expenses.

Group Board members and senior management	31 Dec 2024 Number at closing day	whereof women	31 Dec 2023 Number at closing day	whereof women
Board members and Group CEO	7	29%	8	25%
Other members of group management team	9	11%	10	10%

Certain employees in senior management of Klarna Bank AB and its subsidiaries are employed by Klarna Group Holdco Ltd, the parent company of Klarna Holding AB. As the substance of the arrangement is that these persons constitute management also of Klarna Bank AB, they are included in this report as members of management although their remuneration is accounted for in other group companies.

Group	2024						
	Cash based compensation		Equity based compensation		Other benefits	Pension expenses	
Salaries and other remuneration to the board and senior management	Fixed	Variable	Fixed[1]	Variable			Total
Michael J. Moritz	–	–	–	–	–	–	–
Roger W. Ferguson, Jr.	(1.5)	–	–	(1.7)	–	–	(3.2)
Lise Kaae	–	–	–	–	–	–	–
Omid R. Kordestani	(1.6)	–	–	(1.5)	–	–	(3.1)
Andrew Reed	–	–	–	–	–	–	–
Sarah Smith	(2.1)	–	–	(1.6)	–	–	(3.7)
Matthew Miller[2]	–	–	–	–	–	–	–
Mikael Walther[3]	–	–	–	–	–	–	–
Sebastian Siemiatkowski[4]	(32.0)	(5.0)	(186.0)	(28.8)	(3.2)	(0.8)	(255.8)
Other members of group management team (11)	(98.1)	(9.0)	(154.9)	(147.5)	(4.7)	(10.3)	(424.5)
Total	**(135.3)**	**(14.0)**	**(340.9)**	**(181.1)**	**(7.9)**	**(11.1)**	**(690.3)**

[1] As part of the Group's efforts to align compensation with global standards and peers, the Group introduced a new incentive scheme granting options to certain individual contributors, including employees, executive officers, and directors.
[2] Served on the board until March 12, 2024.
[3] Served on the board until October 17, 2024.
[4] Variable remuneration includes SEK 17.8m related to an award from prior years that is accounted for as an expense in 2024 in accordance with IFRS 2.

Group Salaries and other remuneration to the board and senior management	2023 Cash based compensation Fixed	 Cash based compensation Variable	 Equity based compensation Fixed	 Equity based compensation Variable	 Other benefits	 Pension expenses	 Total
Michael J. Moritz	–	–	–	–	–	–	–
Roger W. Ferguson, Jr.	(1.3)	–	–	(1.6)	–	–	(2.9)
Lise Kaae	–	–	–	–	–	–	–
Andrew Reed	(1.2)	–	–	(1.2)	–	–	(2.4)
Sarah Smith	(1.6)	–	–	(1.3)	–	–	(2.9)
Matthew Miller[1]	–	–	–	–	–	–	–
Mikael Walther	–	–	–	–	–	–	–
Sebastian Siemiatkowski[2]	(16.0)	(5.9)	–	–	(0.9)	(0.8)	(23.6)
Other members of senior management (9)	(82.1)	(4.8)	–	(21.0)	(0.6)	(4.6)	(113.1)
Total	**(102.2)**	**(10.7)**	**–**	**(25.1)**	**(1.5)**	**(5.4)**	**(144.9)**

Remuneration

The rules on remuneration are found in the Swedish Banking and Financing Act (2004:297) and the Swedish Financial Supervisory Authority's regulations (FFFS 2011:1 and FFFS 2020:30) regarding remuneration systems in credit institutions, securities companies and fund management companies licensed to conduct discretionary portfolio management (below "the remuneration rules").

In accordance with part eight of regulation (EU) No 575/2013, commonly referred to as the Capital Requirements Regulation (CRR), and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2014:12) regarding the disclosure of information on capital adequacy and risk management (below "disclosure rules"), the Group shall at least annually in its annual report and on its website give information on its Remuneration Policy and remuneration systems.

The information below follows the provisions of the disclosure rules.

Remuneration program

The Group has a remuneration structure that recognizes the importance of well-balanced but differentiated remuneration structures, based on business and local market needs, as well as the importance of being consistent with and promoting sound and efficient risk management not encouraging excessive risk-taking and short-term profits or counteracting the Group's long term interests.

The aim with the remuneration structure is to both support the ability to attract and retain talents in every position as well as support equal and fair treatment, but also to ensure that remuneration in the Group is aligned with efficient risk management and compliant with existing regulations.

Remuneration, nomination and governance committee

The Board of Directors has established a remuneration, nomination and governance committee, which supports the board of directors in establishing and reviewing the compensation and benefits strategy and guidelines as well as in preparing the proposals to the annual general meeting of shareholders regarding the compensation of the members of the Group's board of directors and the Group's executive officers. The committee may submit proposals to the board of directors on other compensation-related matters. The remuneration, nomination and governance committee consists of three members.

[1] On December 29, 2023, the company appointed Matthew Miller to the Board.
[2] Variable remuneration includes SEK 2.4m related to an award for 2022.

Remuneration Policy and risk analysis

The Board has adopted a Remuneration Policy that is designed to be compatible with and promote sound and effective risk management, avoid exaggerated risk-taking and be in line with the Group's long-term interests. The Remuneration Policy shall be revised when it is necessary, at least annually.

The Remuneration Policy, remuneration system and list of those staff members whose professional activities have a material impact on the Group's risk profile (Identified staff) are assessed annually. The assessment includes an analysis of all key risks the Group is or might be exposed to, including the risks associated with its Remuneration Policy and remuneration structure. In general, the Group's remuneration system involves low risk compared with large banks and other credit institutions with comprehensive trading and other businesses covered by the remuneration rules. The risk cycle in the Group's credit business is assessed to be short, which means that any risks materialize within a few months.

Remuneration structure

The Group applies the following general principles on remuneration:

- remuneration shall be set on an individual basis, based on experience, competence and performance
- remuneration shall not be discriminating
- remuneration shall be competitive, but not counterproductive to the Group's long term interests and capability to generate positive results throughout a full economic cycle.

The remuneration structure within the Group comprises fixed remuneration and variable remuneration. As stipulated in the remuneration rules, the Group ensures that the fixed and variable components are appropriately balanced by ensuring that the fixed remuneration represents a sufficiently large proportion of the employee's total remuneration allowing the Group the possibility to pay no variable remuneration. This means that the Group can decide that the variable remuneration, including deferred payment, can be canceled in part or in whole under certain circumstances, as described below.

Variable remuneration shall amount to a maximum 100% of an employee's total fixed remuneration for Identified staff and 200% of an employee's total fixed remuneration for other employees, unless otherwise decided by the Board of Directors in exceptional cases.

Variable remuneration should not only take into consideration the employee's and his/her team's result but preferably also the Group's total result as well as qualitative criteria such as the employee's compliance with internal rules. It should be based on results that are adjusted for current and future risks. The Group shall ensure that it is entitled to unilaterally decrease or withdraw all or parts of the variable remuneration if the criteria are not met or if the Group's financial situation deteriorates substantially.

If an Identified staff member receives variable remuneration exceeding the amount stipulated in the remuneration rules such remuneration would be subject to deferral and retention.

Executive Officer Agreements

The Group have entered into written employment agreements with each of the Group's executive officers. These agreements generally provide for notice periods of 12 months (although some include a shorter notice period or no notice period) for termination of the agreement by Klarna or by the relevant executive officer, generally during which time the executive officer will continue to receive base salary and benefits. These agreements also contain customary provisions regarding non-competition, non-solicitation, non-disparagement, confidentiality of information and/or assignment of inventions. However, the non-competition and non-solicitation provisions may be unenforceable or otherwise limited under applicable law.

Remuneration to Group management team and Identified staff

Total remuneration awarded and paid to the group management team of 12 persons[1] (10) amounts to SEK 729.4m (197.1m) and for Identified staff, 58 persons[1] (46), this sum amounts to SEK 189.9m (132.8m), which aggregates to SEK 919.2m (329.9m). Variable remuneration accounts for SEK 620.6m (97.6m) of the group management team figure related to 11 (10) of its members and SEK 90.4m (44.4m) of the Identified staff figure, related to 58 (46) beneficiaries.

The tables below present both variable remuneration awarded and paid:

2024	Value of variable remuneration			Number of beneficiaries		
Type of variable remuneration	Group management team	Identified staff	Total	Group management team	Identified staff	Total
Paid as one off cash payments (relating to referral bonuses / gratifications / sales commission)	(11.5)	(1.4)	(12.9)	4	9	13
Paid in the form of shares, share-related instruments, financial instruments or non-cash benefits	(543.6)	(37.3)	(580.9)	11	58	69
Deferred remuneration awarded	(65.5)	(50.2)	(115.7)	11	50	61
Severance payments paid	–	(1.5)	(1.5)	–	2	2.0
Total	**(620.6)**	**(90.4)**	**(711.0)**	**11.0**	**58**	**69**

During 2024, eight employees have been remunerated more than EUR 1m (six between EUR 1m and EUR 1.5m, one between EUR 1.5m and EUR 2m, one between 2m and EUR 2.5m.

2023	Value of variable remuneration			Number of beneficiaries		
Type of variable remuneration	Group management team	Identified staff	Total	Group management team	Identified staff	Total
Paid as one off cash payments (relating to referral bonuses / gratuities / sales commission)	(10.5)	(0.9)	(11.4)	6	9	15
Paid in the form of shares, share-related instruments, financial instruments or non-cash benefits	(26.7)	(27.1)	(53.8)	10	46	56
Deferred remuneration awarded	(60.4)	(16.4)	(76.8)	10	36	46
Total	**(97.6)**	**(44.4)**	**(142.0)**	**10**	**46**	**56**

During 2023, seven employees have been remunerated more than EUR 1m (three between EUR 1m and EUR 1.5m, two between EUR 1.5m and EUR 2m, two between 2m and EUR 2.5m.

As at December 2024, total outstanding deferred remuneration[2] to the Group management team of 12 persons[3] (10) amounts to SEK 314.1m (50.5m) and for Identified staff, 53 persons (38), this sum amounts to SEK 72.6m (35.7m), which aggregates to SEK 386.7m (86.2m).

[1] The number within parentheses refers to the number of positions that have received salaries and remuneration during the year, and not necessarily to the number of individuals.

[2] There has been no risk adjustment reduction made to deferred remuneration awards during 2024 or 2023.

[3] The number within parentheses refers to the number of positions that have received salaries and remuneration during the year, and not necessarily to the number of individuals.

Note 12 Fees and reimbursement of expenses for auditors

	Group		Parent Company	
	2024	2023	2024	2023
EY				
Audit engagement	(21)	(20)	(15)	(13)
Audit related services	(2)	(1)	(2)	(1)
Total	**(23)**	**(21)**	**(17)**	**(14)**

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

	Group		Parent Company	
	2024	2023	2024	2023
Amortization and depreciation				
Intangible assets	(1,166)	(1,255)	(864)	(959)
Tangible assets	(262)	(432)	(219)	(332)
Total	**(1,428)**	**(1,687)**	**(1,083)**	**(1,291)**
Impairment				
Intangible assets	(507)	(231)	(357)	(194)
Tangible assets	(58)	(373)	(55)	(353)
Total	**(565)**	**(604)**	**(412)**	**(547)**
Total depreciation, amortization and impairment of intangible and tangible assets	**(1,993)**	**(2,291)**	**(1,495)**	**(1,838)**

Note 14 Credit losses, net

	Group		Parent Company	
Loan losses divided by class	**2024**	**2023**	**2024**	**2023**
Loans to credit institutions				
Increase in provisions	(49)	(80)	–	–
Assets repaid	53	81	–	–
Total	**4**	**1**	**–**	**–**
Loans to the public				
Realized loan losses, net of recoveries	(5,298)	(4,640)	(3,874)	(3,269)
Amounts written off	4,502	4,643	2,917	3,271
Increase in provisions	(14,754)	(15,143)	(10,680)	(11,011)
Assets repaid	10,109	11,121	7,955	8,206
Total	**(5,441)**	**(4,019)**	**(3,682)**	**(2,803)**
Financial guarantees and commitments				
Increase in provisions	(67)	(95)	(45)	(91)
Assets repaid	102	81	105	77
Total	**35**	**(14)**	**60**	**(14)**
Total credit losses, net	**(5,402)**	**(4,032)**	**(3,622)**	**(2,817)**

Unlike the balance sheet, which shows a snapshot of assets and liabilities at the end of each year, the credit losses in the income statement reflect provisions for future losses and realized losses associated with Klarna's operating activities during the year, including consumer credit losses, merchant counterparty losses, and other related credit losses.

Credit losses, net as a percentage of GMV was 0.49% (FY23: 0.41%).

Note 15 Income taxes

	Group		Parent Company	
Income tax (expense) benefit	**2024**	**2023**	**2024**	**2023**
Current tax				
Tax expense for the year	(196)	(171)	(33)	(105)
Adjustment of tax attributable to previous years	3	20	5	20
Total	**(193)**	**(151)**	**(28)**	**(85)**
Deferred tax				
Deferred tax	62	808	(43)	91
Total	**62**	**808**	**(43)**	**91**
Income tax (expense) benefit	**(131)**	**657**	**(71)**	**6**

	Group		Parent Company	
Effective tax rate	**2024**	**2023**	**2024**	**2023**
Profit (loss) before tax	**273**	**(3,263)**	**(1,264)**	**(3,274)**
Income tax calculated in accordance with national tax rates applicable in each country	(61)	748	260	675
Non-taxable revenues	30	25	335	21
Non-deductible expenses	(371)	(413)	(906)	(358)
Taxable income not booked in profit or loss	(17)	(117)	(17)	(116)
Deductible expenses not booked in profit or loss	91	44	85	40
Unrecognized taxable losses	130	(363)	167	(276)
Effect of change in tax rate	17	3	–	–
Profit carried forward recognized this year	53	710	–	–
Adjustments of tax attributable to previous years	(3)	20	5	20
Tax (expense) benefit	**(131)**	**657**	**(71)**	**6**
Effective tax rate	**48.4%**	**20.1%**	**5.7%**	**0.2%**

	Group		Parent Company	
Deferred taxes[1]	**2024**	**2023**	**2024**	**2023**
Deferred tax asset	368	282	25	67
Deferred tax liability	(8)	(5)	(6)	(4)
Total	**360**	**277**	**19**	**63**
Comprising:				
Losses carried forward	609	763	18	24
Allowance for credit losses	210	221	33	79
Intangible assets	(625)	(793)	(54)	(4)
Other	166	86	22	(36)
Total	**360**	**277**	**19**	**63**

[1] Last year, deferred taxes were presented including netting of deferred tax assets and liabilities. In 2024, there has been a change in presentation as these are now presented gross, before netting.

Deferred tax assets attributable to carryforward of unused tax losses or other deductible temporary differences are recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

During 2024, deferred tax assets and liabilities have been recognized resulting in a SEK 62m (808m) profit in the income statement. Deferred tax assets have been recognized where the recognition criteria are met, of which SEK 53m (710m) is in respect of tax losses. The gross deferred tax assets and liabilities have been set off on the balance sheet to the extent the requirements for netting are met.

Tax losses carried forward in the Group for which tax assets are not recognized in the balance sheet amount to SEK 14,814m (19,964m)[1] gross. Other deductible temporary differences which have not been recognized amount to SEK 1,458m (504m) gross. Deferred tax assets have not been recognized in respect of these temporary differences as they have not been assessed as likely to offset taxable profits elsewhere in the Group under the IAS 12 recognition criteria.

Tax losses carried forward for the parent, Klarna Bank AB (publ) including its branches, for which tax assets are not recognized in the balance sheet amount to SEK 17,168m (20,245m)[1] gross.

Note 16 Net result from categories of financial instruments

	Group		Parent Company	
	2024	**2023**	**2024**	**2023**
Financial instruments mandatory measured at fair value through profit or loss	(1,610)	(664)	(1,296)	(970)
Financial assets measured at amortized cost	22,136	18,598	19,808	16,053
Financial liabilities measured at amortized cost	(5,840)	(4,082)	(6,048)	(4,308)
Currency exchange gain	847	529	952	489
Total	**15,533**	**14,381**	**13,416**	**11,264**

Note 17 Proposed treatment of unappropriated earnings

The Board and the CEO propose to the Annual General Meeting that the non-restricted equity of SEK 17,471,323,066 on Klarna Bank AB (publ)'s balance sheet at the disposal of the Annual General Meeting to be carried forward. Numbers in below table are disclosed in SEK.

Other reserves	(258,218,582)
Retained earnings	19,064,130,631
Net loss for the year	(1,334,588,983)
Total	**17,471,323,066**

[1] 2023 tax losses carried forward in the Group for which tax assets are not recognized in the balance sheet have been restated.

Note 18 Treasury bills chargeable at central banks, etc.

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Central banks	2,998	–	2,998	–
State and sovereigns	115	112	115	112
Municipalities and other public bodies	4,302	7,155	4,302	7,155
Total	**7,415**	**7,267**	**7,415**	**7,267**
By currency				
- in SEK	5,285	2,648	5,285	2,648
- in EUR	1,966	3,122	1,966	3,122
- in USD	164	1,497	164	1,497
Total	**7,415**	**7,267**	**7,415**	**7,267**

Note 19 Loans to credit institutions

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Loans to credit institutions	7,749	4,500	4,925	1,880
By currency				
- in SEK	449	275	330	152
- in EUR	1,309	869	1,242	600
- in USD	4,656	2,491	2,440	572
- in CHF	94	182	94	182
- in GBP	775	273	681	250
- in other currencies	466	410	138	124
Total	**7,749**	**4,500**	**4,925**	**1,880**

Note 20 Loans to the public

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Loans to the public	97,829	89,602	90,567	83,867
Allowance for credit losses	(3,859)	(3,494)	(2,878)	(2,909)
Total	**93,970**	**86,108**	**87,689**	**80,958**

Loans to the public of SEK 94.0b as at Dec 31, 2024 (86.1b as at Dec 31, 2023) are loans still owed. This balance is only partially comparable to credit losses on the income statement as the income statement reports all activity during the year, while the balance sheet is a snapshot of lending outstanding as at each period end.

Below tables shows month over month movements.

Group	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2023	**68,895**	**6,054**	**1,940**	**1**	**1,247**	**78,137**
New assets originated or purchased	1,456,000	1,060	251	–	32,957	1,490,268
Assets repaid	(1,412,595)	(24,512)	(2,142)	–	(32,903)	(1,472,152)
Transfers to stage 1	6,377	(6,081)	(296)	–	–	–
Transfers to stage 2	(35,886)	36,044	(158)	–	–	–
Transfers to stage 3	(318)	(6,753)	7,071	–	–	–
Amounts written off	(87)	(339)	(4,067)	–	(147)	(4,640)
Proceeds received from the sale of consumer receivables	–	(265)	(1,093)	–	–	(1,358)
Other adjustments	(644)	6	1	–	(16)	(653)
Gross carrying amount as at December 31, 2023	**81,742**	**5,214**	**1,507**	**1**	**1,138**	**89,602**
New assets originated or purchased	1,273,156	1,720	194	1	27,412	1,302,483
Assets repaid	(1,243,142)	(18,290)	(2,561)	–	(26,272)	(1,290,265)
Transfers to stage 1	8,623	(8,447)	(176)	–	–	–
Transfers to stage 2	(32,413)	32,553	(140)	–	–	–
Transfers to stage 3	(206)	(8,280)	8,486	–	–	–
Amounts written off	(255)	(401)	(4,245)	(1)	(396)	(5,298)
Proceeds received from the sale of consumer receivables	(32)	(210)	(1,432)	–	–	(1,674)
Other adjustments	3,323	179	76	–	(597)	2,981
Gross carrying amount as at December 31, 2024	**90,796**	**4,038**	**1,709**	**1**	**1,285**	**97,829**

Group	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance as at January 1, 2023	**(1,520)**	**(1,016)**	**(1,366)**	**(252)**	**(4,154)**
New assets originated or purchased	(5,234)	(352)	(204)	(192)	(5,982)
Assets repaid	6,801	2,648	1,086	136	10,671
Transfers to stage 1	(602)	511	91	–	–
Transfers to stage 2	1,470	(1,549)	79	–	–
Transfers to stage 3	70	3,514	(3,584)	–	–
Impact on ECL from change in credit risk	(2,303)	(4,849)	(1,366)	(192)	(8,710)
Amounts written off	27	130	4,345	142	4,644
Other adjustments	15	11	6	5	37
Allowance as at December 31, 2023	**(1,276)**	**(952)**	**(913)**	**(353)**	**(3,494)**
New assets originated or purchased	(5,861)	(272)	(158)	(5)	(6,296)
Assets repaid	6,500	1,820	1,717	72	10,109
Transfers to stage 1	(570)	460	110	–	–
Transfers to stage 2	1,877	(1,952)	75	–	–
Transfers to stage 3	19	4,251	(4,270)	–	–
Impact on ECL from change in credit risk	(2,277)	(4,427)	(1,508)	(246)	(8,459)
Amounts written off	44	216	3,861	382	4,503
Other adjustments	(62)	(65)	(56)	(39)	(222)
Allowance as at December 31, 2024	**(1,605)**	**(921)**	**(1,142)**	**(190)**	**(3,858)**

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Gross carrying amount as at January 1, 2023	**72,415**	**4,659**	**1,807**	**1**	**542**	**79,424**
New assets originated or purchased	1,153,246	855	248	–	28,552	1,182,901
Assets repaid	(1,124,536)	(18,767)	(1,947)	–	(28,560)	(1,173,810)
Transfers to stage 1	5,890	(5,596)	(294)	–	–	–
Transfers to stage 2	(29,241)	29,393	(152)	–	–	–
Transfers to stage 3	(342)	(5,214)	5,556	–	–	–
Amounts written off	(73)	(276)	(2,806)	–	(114)	(3,269)
Proceeds received from the sale of consumer receivables	–	(265)	(1,093)	–	–	(1,358)
Other adjustments	(81)	2	58	–	–	(21)
Gross carrying amount as at December 31, 2023	**77,278**	**4,791**	**1,377**	**1**	**420**	**83,867**
Merged balances	62	–	–	–	–	62
New assets originated or purchased	677,232	1,568	173	1	17,881	696,855
Assets repaid	(651,892)	(16,675)	(2,120)	–	(16,677)	(687,364)
Transfers to stage 1	8,268	(8,147)	(121)	–	–	–
Transfers to stage 2	(28,672)	28,796	(124)	–	–	–
Transfers to stage 3	(177)	(6,430)	6,607	–	–	–
Amounts written off	(199)	(326)	(3,016)	(1)	(332)	(3,874)
Proceeds received from the sale of consumer receivables	(32)	(210)	(1,433)	–	–	(1,675)
Other adjustments	2,878	145	64	–	(390)	2,697
Gross carrying amount as at December 31, 2024	**84,749**	**3,511**	**1,404**	**1**	**902**	**90,567**

Parent Company	Stage 1	Stage 2	Stage 3	POCI	Simplified approach	Total
Allowance as at January 1, 2023	**(1,285)**	**(730)**	**(1,244)**	**–**	**(177)**	**(3,436)**
New assets originated or purchased	(3,768)	(278)	(203)	–	(175)	(4,424)
Assets repaid	4,912	1,861	1,011	–	98	7,882
Transfers to stage 1	(565)	476	89	–	–	–
Transfers to stage 2	1,193	(1,266)	73	–	–	–
Transfers to stage 3	68	2,265	(2,333)	–	–	–
Impact on ECL from change in credit risk	(2,113)	(3,226)	(1,078)	–	(131)	(6,548)
Changes to models and inputs used for ECL calculations	427	64	(166)	–	–	325
Amounts written off	23	79	3,059	–	110	3,271
Other adjustments	10	5	2	–	4	21
Allowance as at January 1, 2024	**(1,098)**	**(750)**	**(790)**	**–**	**(271)**	**(2,909)**
Merged balances	(4)	–	–	–	–	(4)
New assets originated or purchased	(4,317)	(204)	(150)	–	(10)	(4,681)
Assets repaid	4,880	1,390	1,334	–	35	7,639
Transfers to stage 1	(473)	413	60	–	–	–
Transfers to stage 2	1,277	(1,339)	62	–	–	–
Transfers to stage 3	14	2,832	(2,846)	–	–	–
Impact on ECL from change in credit risk	(1,650)	(3,011)	(1,213)	–	(164)	(6,038)
Changes to models and inputs used for ECL calculations	117	(56)	(5)	–	(17)	39
Amounts written off	25	156	2,730	–	323	3,234
Other adjustments	(41)	(45)	(43)	–	(27)	(156)
Allowance as at December 31, 2024	**(1,269)**	**(615)**	**(862)**	**–**	**(131)**	**(2,877)**

Loans with a contractual amount of SEK 2,661m (2,504m) for the Group and SEK 1,107m (1,278m) for the Parent Company that were written off during the year are still subject to enforcement activity.

Note 21 Bonds and other interest-bearing securities

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Issued by other borrowers	118	506	118	506
Total	**118**	**506**	**118**	**506**
- in SEK	101	506	101	506
- in GBP	17	–	17	–

Note 22 Shares and participations in group companies

Parent Company	31 Dec 2024	31 Dec 2023
Participations in group companies (restated)	11,336	15,091

Parent Company Subsidiaries	No. of shares	Share	31 Dec 2024 Book value	31 Dec 2023 Book value
Analyzd Technologies Ltd., Cyprus, Corp. ID HE 2730111	1,000	100%	–	–
Hero Towers Ltd, The United Kingdom, Corp. ID 09570325[1]	–	100%	–	1,229
Klarna Australia Holding Pty Ltd., Australia, Corp. ID 635 651 722[2]	100,000,000	100%	677	677
Klarna Austria GmbH, Austria, Corp. ID FN 387052w	1	100%	–	–
Klarna Belgium N.V., Belgium, Corp. ID 0741.431.277	61,500	100%	–	–
Klarna B.V., The Netherlands, Corp. ID 50315250	18,000	100%	1	1
Klarna Canada Limited, Canada, Corp. ID BC1268207	30,000,001	100%	240	–
Klarna Commercial Consulting (Shanghai) Co., Ltd., China, Corp. ID 91310000MA1FPMBGXE	–	100%	4	4
Klarna Financial Services UK Ltd, The United Kingdom, Corp. ID 14290857	1,500,001	100%	1,004	1,004
Klarna Germany Holding GmbH, Germany, Corp. ID HRB 230268[3]	25,000	100%	–	2,763
Klarna Inc., The United States, Corp. ID 99-0365994	10,000,000	100%	3,252	3,252
Klarna Italy S.r.l., Italy, Corp. ID 10232490960	14,248	100%	25	25
Klarna Japan KK, Japan, Corp. ID 0104-01-140886	148,201,614	100%	8	8
Klarna MAS AB, Sweden, Corp. ID 556864-9478	49,786	100%	296	289
Klarna Norge AS, Norway, Corp. ID 995 515 164	10,000	100%	–	–
Klarna OY, Finland, Corp. ID 2247127-6	2,500	100%	–	–
Klarna Payments, S.A. de C.V., Mexico, Corp. ID N-2021080794	14,578,672	100%	7	7
Klarna Poland sp. z o.o. Limited, Poland, Corp. ID 0000907691	100	100%	–	–
Klarna Securities AB, Sweden, Corp. ID 559176-9905[1]	–	100%	–	9
Klarna Spain S.L., Spain, Corp. ID B88639240	3,000	100%	–	–
Klarna UK Limited, The United Kingdom, Corp. ID 08706739	1	100%	–	–
PriceRunner Group AB, Sweden, Corp. ID 559021-0851	251,721	100%	4,617	4,617
Stocard GmbH, Germany, Corp. ID HRB 712032	109,369	100%	1,205	1,205
Total			**11,336**	**15,090**

[1] In 2024, Hero Towers Ltd and Klarna Securities AB were fully dissolved.
[2] Klarna Australia Holding Pty Ltd book value of 2023 is restated, see Note 2, section *Reclassifications of comparatives*.
[3] In 2024, Klarna Germany Holding GmbH completed a capital distribution of SEK 978m, and shares were impaired of SEK 1,784m.

Note 23 Intangible assets

Group	Goodwill	Trademarks, Tradenames & Licenses	Capitalized development costs	Other intangible assets	Total
Purchase value					
January 1, 2023	**5,727**	**1,282**	**3,795**	**2,941**	**13,745**
Additions	–	3	887	–	890
Sales/disposals	–	(3)	–	–	(3)
Currency translation difference	16	–	15	(27)	4
December 31, 2023	**5,743**	**1,282**	**4,697**	**2,914**	**14,636**
Additions	–	–	462	5	467
Sales/disposals	(211)	(5)	(225)	(57)	(498)
Currency translation difference	174	4	27	77	282
December 31, 2024	**5,706**	**1,281**	**4,961**	**2,939**	**14,887**
Amortization					
January 1, 2023	**–**	**(129)**	**(1,396)**	**(427)**	**(1,952)**
Amortization for the year	–	(79)	(854)	(322)	(1,255)
Sales/disposals	–	2	–	–	2
Currency translation difference	–	–	(9)	24	15
December 31, 2023	**–**	**(206)**	**(2,259)**	**(725)**	**(3,190)**
Amortization for the year	–	(143)	(747)	(276)	(1,166)
Sales/disposals	–	5	102	31	138
Currency translation difference	–	(1)	(15)	(50)	(66)
December 31, 2024	**–**	**(345)**	**(2,919)**	**(1,020)**	**(4,284)**
Impairment					
January 1, 2023	**–**	**(82)**	**(67)**	**–**	**(149)**
Impairment for the year	(30)	(1)	(190)	(10)	(231)
Currency translation difference	–	–	(3)	–	(3)
December 31, 2023	**(30)**	**(83)**	**(260)**	**(10)**	**(383)**
Impairment for the year	–	–	(370)	(137)	(507)
Sales/disposals	–	–	114	11	125
Currency translation difference	(1)	(3)	(7)	(5)	(16)
December 31, 2024	**(31)**	**(86)**	**(523)**	**(141)**	**(781)**
Carrying amount as at December 31, 2023	**5,713**	**993**	**2,178**	**2,179**	**11,063**
Carrying amount as at December 31, 2024	**5,675**	**850**	**1,519**	**1,778**	**9,822**

Parent Company	Goodwill	Licenses	Capitalized development costs	Other intangible assets	Total
Purchase value					
January 1, 2023	**1,626**	**70**	**2,672**	**536**	**4,904**
Additions	–	3	813	–	816
Sales/disposals	–	–	(1)	1	–
Currency translation difference	21	1	3	1	26
December 31, 2023	**1,647**	**74**	**3,487**	**538**	**5,746**
Additions	–	–	451	5	456
Sales/disposals	–	–	(155)	(31)	(186)
Merged balances	–	–	–	67	67
Currency translation difference	106	–	9	9	124
December 31, 2024	**1,753**	**74**	**3,792**	**588**	**6,207**
Amortization					
January 1, 2023	**(540)**	**(59)**	**(1,026)**	**(238)**	**(1,863)**
Amortization for the year	(259)	(4)	(644)	(52)	(959)
Currency translation difference	7	–	(1)	(1)	5
December 31, 2023	**(792)**	**(63)**	**(1,671)**	**(291)**	**(2,817)**
Amortization for the year	(264)	(4)	(554)	(42)	(864)
Sales/disposals	0	0	50	16	66
Currency translation difference	(46)	1	(4)	(3)	(52)
Merged balances	–	–	–	(58)	(58)
December 31, 2024	**(1,102)**	**(66)**	**(2,179)**	**(378)**	**(3,725)**
Impairment					
January 1, 2023	**–**	**–**	**(48)**	**–**	**(48)**
Impairment for the year	(11)	–	(183)	–	(194)
Currency translation difference	–	–	5	–	5
December 31, 2023	**(11)**	**–**	**(226)**	**–**	**(237)**
Impairment for the year	–	–	(352)	(5)	(357)
Sales/disposals	–	–	96	–	96
Currency translation difference	(1)	–	(5)	–	(6)
December 31, 2024	**(12)**	**–**	**(487)**	**(5)**	**(504)**
Carrying amount as at December 31, 2023	**844**	**11**	**1,590**	**247**	**2,692**
Carrying amount as at December 31, 2024	**639**	**8**	**1,126**	**205**	**1,978**

Impairment testing of Goodwill and Intangible assets

The Group conducted its annual goodwill impairment test as of October 1, 2024. No impairment losses were identified, as the recoverable amount, measured as fair value less costs of sale (FVLCS) exceeded the carrying amount.

The impairment test is performed at the operating segment level, which is the lowest level at which goodwill is monitored and assessed for internal management purposes, by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount.

The FVLCS was determined based on external investor transactions, adjusted for non-current debt, and relative valuation (or the market approach) of comparable companies, with a last twelve months revenue multiple as a key assumption. The fair value measurement is categorized as level 3 in the fair value hierarchy. Reasonable changes to key assumptions would not result in impairment losses in 2024.

In 2024, the Group recognized an impairment charge of SEK 507m related to intangible assets, consisting of SEK 370m on certain capitalized development costs and SEK 137m from prior acquisitions.

On October 1, 2024, the Group completed the divestment of its Klarna Checkout ("KCO") operation to a consortium of investors, to which goodwill of SEK 211m was allocated using a relative value approach. See Note 40.

In 2023, the Group discontinued certain initiatives, resulting in an impairment charge of SEK 231m, consisting of SEK 30m related to goodwill and SEK 201m related to intangible assets from prior acquisitions and internally generated projects.

Note 24 Tangible assets

Group	Leasehold improvements	Equipment	Right-of-use assets	Total
Purchase value				
January 1, 2023	**160**	**660**	**2,576**	**3,396**
Additions	–	6	102	108
Sales/disposals	(7)	(60)	(357)	(424)
Remeasurements	–	–	(53)	(53)
Currency translation difference	(1)	–	1	–
December 31, 2023	**152**	**606**	**2,269**	**3,027**
Additions	–	10	–	10
Sales/disposals	(11)	(39)	(332)	(382)
Remeasurements	–	–	(14)	(14)
Currency translation difference	6	10	52	68
December 31, 2024	**147**	**587**	**1,975**	**2,709**
Depreciation				
January 1, 2023	**(73)**	**(325)**	**(844)**	**(1,242)**
Depreciation for the year	(28)	(109)	(295)	(432)
Sales/disposals	3	36	179	218
Currency translation difference	2	3	1	6
December 31, 2023	**(96)**	**(395)**	**(959)**	**(1,450)**
Depreciation for the year	(9)	(79)	(173)	(261)
Sales/disposals	11	37	289	337
Currency translation difference	(4)	(8)	(13)	(25)
December 31, 2024	**(98)**	**(445)**	**(856)**	**(1,399)**
Impairment				
January 1, 2023	**(2)**	**(11)**	**(96)**	**(109)**
Impairment for the year	–	(32)	(341)	(373)
Sales/disposals	–	2	128	130
Currency translation difference	–	1	2	3
December 31, 2023	**(2)**	**(40)**	**(307)**	**(349)**
Impairment for the year	–	–	(58)	(58)
Sales/disposals	–	–	29	29
Currency translation difference	–	(1)	5	4
December 31, 2024	**(2)**	**(41)**	**(331)**	**(374)**
Carrying value as at December 31, 2023	**54**	**171**	**1,003**	**1,228**
Carrying value as at December 31, 2024	**47**	**101**	**788**	**936**

Parent Company	Leasehold improvements	Equipment	Right-of-use assets	Total
Purchase value as at January 1, 2023	**128**	**555**	**2,088**	**2,771**
Additions	–	3	101	104
Sales/disposals	(6)	(43)	(204)	(253)
Remeasurement	–	–	(75)	(75)
Currency translation difference	–	1	4	5
December 31, 2023	**122**	**516**	**1,914**	**2,552**
Additions	–	6	–	6
Merged balances	8	8	197	213
Sales/disposals	–	–	(212)	(212)
Currency translation difference	4	6	10	20
December 31, 2024	**134**	**536**	**1,909**	**2,579**
			–	
Depreciation as at January 1, 2023	**(56)**	**(262)**	**(644)**	**(962)**
Depreciation for the year	(22)	(93)	(217)	(332)
Sales/disposals	2	26	92	120
Currency translation difference	1	1	(1)	1
December 31, 2023	**(75)**	**(328)**	**(770)**	**(1,173)**
Depreciation for the year	(7)	(69)	(143)	(219)
Merged balances	(6)	(7)	(104)	(117)
Sales/disposals	–	–	199	199
Currency translation difference	(3)	(4)	(7)	(14)
December 31, 2024	**(91)**	**(408)**	**(825)**	**(1,324)**
Impairment as at January 1, 2023	**–**	**(4)**	**(64)**	**(68)**
Impairment for the year	–	(23)	(330)	(353)
Sales/disposals	–	–	120	120
December 31, 2023	**1**	**(33)**	**(273)**	**(305)**
Impairment for the year	–	–	(50)	(50)
Sales/disposals	–	–	28	28
Mergers	–	–	(4)	(4)
December 31, 2024	**1**	**(33)**	**(299)**	**(331)**
Carrying value as at December 31, 2023	**48**	**155**	**872**	**1,075**
Carrying value as at December 31, 2024	**44**	**95**	**785**	**924**

Note 25 Other assets

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Receivables from group companies	52	48	6,798	7,881
Current tax assets	242	373	59	82
VAT receivables	405	292	359	265
Derivatives	113	585	112	585
Commercial agreement assets	760	1,170	291	204
Receivables held for trading	24	–	–	–
Deposits	47	53	32	24
Other receivables	234	277	150	252
Total	**1,877**	**2,798**	**7,801**	**9,293**

For more information on derivatives, see Note 26.

Note 26 Derivatives

The Group enters into derivative financial instruments to manage its interest rate and foreign exchange risk. Derivative instruments are initially and subsequently measured at fair value with changes to fair value recognized immediately within net result from financial transactions in the consolidated statement income statement. When the fair value of derivative instruments is positive, they are carried as assets and carried as liabilities when their fair value is negative.

Group and Parent Company
31 Dec 2024

	Fair value		
Derivatives designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Interest rate swaps	47	(15)	41,954
Total	**47**	**(15)**	**41,954**

	Fair value		
Derivatives not designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Currency forwards	65	(660)	39,557
Total	**65**	**(660)**	**39,557**

Group and Parent Company
31 Dec 2023

	Fair value		
Derivatives designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Interest rate swaps	52	(66)	22,802
Total	**52**	**(66)**	**22,802**

	Fair value		
Derivatives not designated in a hedged relationship	**Positive**	**Negative**	**Nominal amount**
Currency forwards	533	(202)	38,158
Total	**533**	**(202)**	**38,158**

Foreign exchange derivatives

Foreign exchange derivatives are not designated in a hedge accounting relationship and all have contractual maturities within four months of December 31, 2024 and 2023.

Derivatives designated in a hedge relationship

Fair value hedges

The Group holds short and medium term deposits from the public which are subject to changes in fair value due to fluctuations in the underlying interest rate benchmark, which is typically the most significant component of the overall fair value change. These short and medium term deposits are the hedged item. The Group uses interest rate swaps as the hedging instrument to reduce the impact of fair value changes in the hedged item due to changes in the underlying interest rate benchmark.

For hedges of interest rate risk, ineffectiveness arises due to mismatches of critical terms and / or the use of different curves to discount the hedged item and instrument, for example, a mismatch between the reset frequency of the swap and the benchmark frequency.

Group and Parent Company Fair value hedges: Hedging instrument and ineffectiveness	Nominal amount	Carrying amount Positive	Negative	Change in fair value used to calculate hedge ineffectiveness	Ineffectiveness recognized in Net result from financial transactions
31 Dec 2024					
Interest rate risk	41,954	47	(15)	(53)	(4)
Total	**41,954**	**47**	**(15)**	**(53)**	**(4)**
31 Dec 2023					
Interest rate risk	22,802	52	(66)	(117)	(1)
Total	**22,802**	**52**	**(66)**	**(117)**	**(1)**

Fair value hedges: Designated hedged item	31 Dec 2024	31 Dec 2023
Deposits from the public	41,954	22,934
Of which: the accumulated amount of fair value adjustment	*65*	*14*

Fair value hedges: Profile of the timing of the nominal amount of the hedge instrument	Maturity 2024			Maturity 2023		
	Within 3 months	> 3 months and < 12 months	> 12 months	Within 3 months	> 3 months and < 12 months	> 12 months
Interest rate risk	9,183	22,053	10,717	2,585	15,789	4,427
Average fixed interest rate	3.5%	2.8%	2.2%	2.5%	3.4%	3.3%

Note 27 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Accrued transaction-related income	507	496	335	126
Accrued interest to group companies	2	–	559	2
Prepaid licenses	112	177	110	174
Other accrued income	355	86	24	106
Prepaid marketing	23	19	16	16
Other prepaid expenses	170	80	140	43
Total	**1,169**	**858**	**1,184**	**467**

Note 28 Liabilities to credit institutions

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Liabilities to credit institutions	1,452	1,636	959	1,264
By currency				
- in SEK	–	181	–	181
- in GBP	–	901	–	901
- in EUR	–	170	–	170
- in NOK	928	–	928	–
- in USD	524	384	31	12
Total	**1,452**	**1,636**	**959**	**1,264**

For maturity analysis of financial liabilities, see Note 3.

Note 29 Deposits from the public

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Deposits from the public	**106,787**	**97,096**	**106,320**	**96,789**
of which: fair value adjustment for hedged risk	65	14	65	14
By currency				
- in SEK	8,604	12,089	8,604	12,089
- in EUR	97,071	84,354	97,071	84,354
- in USD	426	295	14	6
- in other currencies	686	358	631	340
Total	**106,787**	**97,096**	**106,320**	**96,789**

For maturity analysis of financial liabilities, see Note 3.

Note 30 Debt securities issued

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Senior unsecured bonds	1,499	451	1,499	451
Commercial papers	149	200	149	200
Total	**1,648**	**651**	**1,648**	**651**

During 2024, a total of SEK 364m of notes matured and SEK 84m were repurchased from loans issued under the Swedish Medium Term Notes program. In 2024, an aggregate of SEK 8m of notes issued under the program were repurchased.

For maturity analysis of financial liabilities, see Note 3.

Note 31 Other liabilities

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Merchant liabilities	7,676	8,479	6,939	7,444
Liabilities to group companies	5,164	7,208	9,735	14,276
Lease liabilities	957	1,234	944	1,047
Derivatives	675	268	675	268
Accounts payable	366	414	256	206
Commercial agreement liabilities	341	654	144	171
Personnel related taxes	177	80	122	61
Current tax liabilities	123	177	92	105
Other liabilities	974	659	757	542
Total	**16,453**	**19,173**	**19,664**	**24,120**

Klarna Bank AB (publ) has received a line of credit from its parent company Klarna Holding AB (publ). The credit liability amounted to SEK 3,198m (6,733m) as of December 31, 2024 and is included in liabilities to group companies. The line of credit is ranked pari passu with all other unsecured indebtedness.

For more information on derivatives, see Note 26. For maturity analysis of financial liabilities, see Note 3.

Note 32 Accrued expenses and prepaid income

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Accrued personal and consultant related costs	491	642	353	524
Accrued marketing costs	198	489	79	327
Accrued outsourced and IT costs	342	542	254	474
Other accrued expenses and prepaid income	759	500	712	241
Accrued expenses and fines	500	–	500	–
Accrued commission costs	308	298	295	290
Accrued interest costs	1,338	972	1,338	1,001
Accrued scoring and distribution costs	111	143	71	116
Total	**4,047**	**3,586**	**3,602**	**2,973**

For maturity analysis of financial liabilities, see Note 3.

Note 33 Provisions

Group	Pensions and other post-employment obligations	Pending legal issues and tax litigations	Other provisions	Total
Provisions as at January 1, 2023	**9**	**7**	**2**	**18**
New provisions	6	–	–	6
Amounts used	(2)	–	(1)	(3)
Provisions as at December 31, 2023	**13**	**7**	**1**	**21**
New provisions	6	1	–	7
Amounts used	(2)	(8)	–	(10)
Provisions as at December 31, 2024	**17**	**–**	**1**	**18**

Group Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Summa
Provisions as at January 1, 2023	**54**	**39**	**1**	**94**
New provisions	47	14	1	62
Reversed provisions	(37)	(40)	(3)	(80)
Transfers to stage 1	14	(14)	–	–
Transfers to stage 2	(1)	1	–	–
Impact on year end ECL from change in credit risk	25	5	1	31
Provisions as at December 31, 2023	**102**	**5**	**–**	**107**
New provisions	61	3	3	67
Reversed provisions	(44)	(3)	(3)	(50)
Transfers to stage 1	4	(3)	(1)	–
Impact on year end ECL from change in credit risk	(51)	(1)	1	(51)
Divestitures	(26)	–	–	(26)
Other adjustments	1	–	–	1
Provisions as at December 31, 2024	**47**	**1**	**–**	**48**

Parent Company	Pending legal issues and tax litigations	Other provisions	Total
Provisions as at January 1, 2023	**8**	**1**	**9**
Amounts used	–	(1)	(1)
Provisions as at December 31, 2023	**8**	**–**	**8**
New provisions	1	1	2
Amounts used	(8)	–	(8)
Provisions as at December 31, 2024	**1**	**1**	**3**

Parent Company Provisions for financial guarantees and commitments	Stage 1	Stage 2	Stage 3	Total
Provisions as at January 1, 2023	**57**	**39**	**1**	**97**
New provisions	44	14	1	59
Reversed provisions	(35)	(39)	(3)	(77)
Transfers to stage 1	14	(13)	(1)	–
Transfers to stage 2	(1)	1	–	–
Impact on year end ECL from change in credit risk	26	4	1	31
Provisions as at December 31, 2023	**105**	**6**	**(1)**	**110**
New provisions	48	3	3	54
Reversed provisions	(47)	(3)	(2)	(52)
Transfers to stage 1	4	(3)	(1)	–
Impact on year end ECL from change in credit risk	(52)	(1)	1	(52)
Other adjustments	1	(2)	–	(1)
Provisions as at December 31, 2024	**59**	**–**	**–**	**59**

Note 34 Pledged assets and contingent liabilities

	Group		Parent Company	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Pledged assets				
Assets pledged for own liabilities				
Pledged loans to the public and credit institutions	–	2,775	–	2,775
Pledged treasury bills chargeable at central banks, etc., and pledged bonds and other interest-bearing securities	17	–	17	–
Other pledged assets	36	32	–	–
Total	**53**	**2,807**	**17**	**2,775**
Contingent liabilities and commitments				
Commitments				
Commitments for loan funding	18,256	677	48,645	15,108
Consumer refund commitment	8,574	14,747	8,574	14,747
Total	**26,830**	**15,424**	**57,219**	**29,855**

The Group's commitments for loan funding increased in 2024 compared with 2023 following a change in regulation in Norway where Klarna is required to set and communicate credit limits to Norwegian customers.

Note 35 Fair value of financial assets and liabilities

The following table shows the Group's financial assets and liabilities measured at fair value on a recurring basis and identifies which of the three valuation levels the assets and liabilities have been classified into as of December 31, 2024 and 2023. For description of the fair value levels, see Note 2. No transfers between levels have been made during 2024 or 2023.

Group 31 Dec 2024	Level 1	Level 2	Level 3	Total
Assets				
Other shares and participations	–	–	172	172
Other assets (derivatives)	–	112	–	112
Other assets (receivables held for trading)	–	–	24	24
Total	**–**	**112**	**196**	**308**
Liabilities				
Other liabilities (derivatives)	–	675	–	675
Total	**–**	**675**	**–**	**675**

Group 31 Dec 2023	Level 1	Level 2	Level 3	Total
Assets				
Other shares and participations	81	–	264	345
Other assets (derivatives)	–	585	–	585
Total	**81**	**585**	**264**	**930**
Liabilities				
Other liabilities (derivatives)	–	268	–	268
Total	**–**	**268**	**–**	**268**

Parent Company 31 Dec 2024	Level 1	Level 2	Level 3	Total
Assets				
Other shares and participations	–	–	172	172
Other assets (derivatives)	–	112	–	112
Total	**–**	**112**	**172**	**284**
Liabilities				
Other liabilities (derivatives)	–	675	–	675
Total	**–**	**675**	**–**	**675**

Parent Company 31 Dec 2023	Level 1	Level 2	Level 3	Total
Assets				
Other shares and participations	81	–	264	344
Other assets (derivatives)	–	585	–	585
Total	**81**	**585**	**264**	**930**
Liabilities				
Other liabilities (derivatives)	–	268	–	268
Total	**–**	**268**	**–**	**268**

The Group's methodology to measure fair value of these financial assets and liabilities is presented below.

Derivatives

Derivatives fair value is estimated using third-party pricing models, which contain input parameters based on readily observable market data sources when available.

Other shares and participations

The fair value for other shares and participations is based on quoted market prices where available or valuation techniques using unobservable data.

Other shares and participations comprise investments in listed and unlisted companies. Other shares and participations fair value is based on quoted market prices where available or valuation techniques using unobservable data. Level 3 other shares and participations represented investment in unlisted shares for which limited information was available. For these unlisted shares, the fair value is generally estimated based on cost basis unless there is an observable indicator of a difference in cost and fair value.

Other assets

Receivables held for trading refer to unsold receivables intended for offloading as part of the forward flow transaction, see Note 38 structured entities. Fair value is estimated using a discounted cash flow model. Significant assumptions used in the valuation of the receivables held for sale include repayment rates, discount rates and loss rates.

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	Other Assets	Debt securities issued
Balance as at January 1, 2023	**271**	**–**	**539**
Gain (loss) in income statement	1	–	(211)
of which: unrealized gain (loss)	*1*	–	*(211)*
Repurchase	–	–	(331)
Impact of foreign exchange movements	(8)	–	3
Balance as at December 31, 2023	**265**	**–**	**–**
Receivables originated as held for sale	–	34,473	–
Gain (loss) in income statement	(113)	(315)	–
of which: realized gain (loss)	*(113)*	*(315)*	–
Receivables held for sale sold to third parties	–	(34,135)	–
Impact of foreign exchange movements	21	1	–
Balance as at December 31, 2024	**172**	**24**	**–**

Parent Company	Financial assets	Financial liabilities
	Other shares and participations	Debt securities issued
Balance as at January 1, 2023	**271**	**539**
Gain (loss) in income statement	1	(211)
of which: unrealized gain (loss)	*1*	*(211)*
Repurchase	–	(331)
Impact of foreign exchange movements	(8)	3
Balance as at December 31, 2023	**265**	**–**
Gain (loss) in income statement	(113)	–
of which: realized gain/loss	*(113)*	–
Impact of foreign exchange movements	21	–
Balance as at December 31, 2024	**172**	**–**

The other derivatives is discussed within Note 26. Fair value gains and losses recognized in the income statement are included in other operating income.

The Group uses a range of unobservable inputs and valuation techniques such as the current interest rate, equity markets, expected future cash flows and options models to determine the fair value of level 3 financial instruments.

Financial assets and liabilities measured at amortized cost

The following tables show the fair value of financial instruments carried at amortized cost. They do not include financial assets and financial liabilities not measured at fair value if the carrying amount approximates fair value, which includes: cash and cash equivalents, loans to credit institutions (included in debt securities), loans to credit institutions, loans to the public, other assets, prepaid expenses and accrued income, liabilities to credit institutions, other liabilities and accrued expenses and prepaid income.

Group 31 Dec 2024	Carrying amount	Level 1	Level 2	Level 3	Fair value
Assets					
Treasury bills chargeable at central banks, etc.	7,415	7,365	–	–	7,365
Bonds and other interest-bearing securities	118	117	–	–	117
Total	**7,533**	**7,482**	**–**	**–**	**7,482**
Liabilities					
Deposits from the public	106,787	–	108,573	–	108,573
Debt securities in issue	1,648	–	1,652	–	1,652
Total	**108,435**	**–**	**110,224**	**–**	**110,224**

Group 31 Dec 2023	Carrying amount	Level 1	Level 2	Level 3	Fair value
Assets					
Treasury bills chargeable at central banks, etc.	7,267	7,021	–	–	7,021
Bonds and other interest-bearing securities	506	492	–	–	492
Total	**7,774**	**7,513**	**–**	**–**	**7,513**
Liabilities					
Deposits from the public	97,096	–	97,365	–	97,365
Debt securities in issue	651	–	648	–	648
Total	**97,746**	**–**	**98,013**	**–**	**98,013**

Parent Company 31 Dec 2024	Carrying amount	Level 1	Level 2	Level 3	Fair value
Assets					
Treasury bills chargeable at central banks, etc.	7,415	7,365	–	–	7,365
Bonds and other interest-bearing securities	118	117	–	–	117
Total	**7,533**	**7,482**	**–**	**–**	**7,482**
Liabilities					
Deposits from the public	106,320	–	106,646	–	106,646
Debt securities in issue	1,648	–	1,652	–	1,652
Total	**107,968**	**–**	**108,298**	**–**	**108,298**

Parent Company 31 Dec 2023	Carrying amount	Level 1	Level 2	Level 3	Fair value
Assets					
Treasury bills chargeable at central banks, etc.	7,267	7,021	–	–	7,021
Bonds and other interest-bearing securities	506	492	–	–	492
Total	**7,774**	**7,513**	**–**	**–**	**7,513**
Liabilities					
Deposits from the public	96,789	–	97,058	–	97,058
Debt securities in issue	651	–	648	–	648
Total	**97,439**	**–**	**97,706**	**–**	**97,706**

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.

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.

Note 36 Share-based payments

This Note provides an overview of the various share-based payment costs during the periods and additional information on the different equity-based programs. Certain of the equity-based instruments described below were issued by our subsidiaries and/or convert into ordinary shares of our subsidiaries.

The following table presents share-based payment costs, net of social security charges, recognized in 2024 and 2023 in the income statement:

Group	2024	2023
Employee restricted stock unit program	(408)	(189)
Business acquisition related awards	(12)	(28)
Share warrants and stock options	(491)	(237)
Share-based payment costs	**(911)**	**(454)**
Less: amounts recognized as reduction of commission income	14	13
Share-based payment expense	**(896)**	**(440)**

Employee Restricted Share Unit Program

Klarna's Restricted Share Unit Program (the "RSU Program") was implemented in 2020. It is open to all employees as well as certain third-party contributors and allows for the granting of Restricted Share Units ("RSUs") for an ownership interest in Klarna Bank AB (publ) via shares in a subsidiary. Each participant is granted a set number of RSUs at the grant date, which vest over a four-year graded vesting schedule, with 25% of the shares vesting annually. Should the participant end their employment within the Group, unvested RSUs will be forfeited.

The number of shares distributed to employees under the RSU Program is approved by the board of directors of Klarna Holding AB (publ), and accounted for as equity-settled share-based payments. The share-based compensation expense is based on the grant-date fair value of the awards and recognized over the vesting period, in line with the graded vesting method. The fair value of the employee restricted stock unit program is based on an external valuation where input parameters include discounted cash flows, trading multiples for peers, secondary market trades and previous investment rounds.

Upon vesting, in accordance with certain countries' tax laws, the group are required to withhold an amount to settle the employee's tax associated with a share-based payment and transfer that amount in cash to taxing authorities on the employee's behalf. Such amounts are withheld from the employees in accordance with applicable laws, either through deduction of salary or withholding a number of vested shares. Upon vesting, participants retain ordinary shares in one of Klarna's subsidiaries holding an ownership interest in Klarna Bank AB (publ), reflected as non-controlling interest in the consolidated financial statements. It is intended that at a future date shareholders will have the opportunity to exchange their subsidiary company shares for Klarna Group plc shares. The number of Klarna Group plc shares to be exchanged is dependent upon the value of Klarna Group plc at the time of exchange. If such an exchange would have taken place as at the end of 2024 and 2023 the exchange yield would have been 0.02 and 0.02 shares for one subsidiary share, respectively.

Details regarding the RSU program are outlined in the table below:

Group	Restricted stock units	
	Number of RSUs	Weighted average fair value at grant SEK
January 1, 2023[1]	**7,988,295**	**63**
Granted during the year	7,081,803	45
Exercised during the year	(2,411,162)	67
Forfeited during the year	(2,450,832)	54
December 31, 2023	**10,208,104**	**52**
Granted during the year	22,659,832	47
Released during the year	(3,164,977)	56
Forfeited during the year	(3,291,313)	49
December 31, 2024	**26,411,646**	**48**

Equity-related instruments granted in connection with business acquisitions

In relation to several business acquisitions in 2020, 2021 and 2022, Klarna Holding AB (publ) issued equity to acquired employees. The equity grant included a four-year vesting period and is accounted for as equity-settled share-based compensation and recognized as a post-business combination expense. When employees exited the company during the periods, the future personnel costs associated with the unvested equity were expensed in the income statement at the last day of employment. The instruments have been measured based on the fair market value of the underlying ordinary shares at the date of grant. In May, 2024, Klarna Holding AB (publ) completed a reorganization which resulted in Klarna Group plc becoming the new ultimate parent company of the group. As a result all the remaining unvested equity were expensed shares in this program were expensed.

Details regarding these instruments are outlined in the table below:

Group	Number of shares	Weighted average fair value at grant SEK
January 1, 2023	**29,824**	**8,646**
Released during the year	(2,367)	14,789
December 31, 2023	**27,457**	**6,524**
Released during the year	(27,457)	6,524
December 31, 2024	**–**	**–**

[1] The number of RSU at January 1, 2023 have been adjusted with 566,692.

Share warrants and stock options

In certain jurisdictions, the Group offers share warrants to certain individual contributors, including employees as well as executive officers and directors. Prior to 2024, these were awarded in the form of share warrants. Beginning in 2024, the Group also began granting stock options to acquire ordinary shares of Klarna Group plc. The warrants and options are subject to graded vesting over a term of typically four to five years. The awards are accounted for as equity-settled share-based payments, with the fair value determined at the grant date and expensed over the vesting period, based on the Group's estimate of the number of awards that will eventually vest. As of December 31, 2024, one share warrant entitles the recipient to purchase one ordinary share in Klarna Holding AB (publ) or a subsidiary at the agreed strike price. One stock option entitles the recipient to purchase one ordinary share in Klarna Group plc at the agreed strike price.

Certain warrants have been acquired by employees in exchange for a cash payment of the fair market value at grant date. Since pre-emption rights related to these awards transfer over a specified period they are accounted for as equity-settled share-based payments; however, no associated expense is recognized.

Klarna has granted share warrants to selected partners, including merchants and other service providers, in return for services. These arrangements are equity-settled and are accounted for as equity-settled share-based payments.

In 2024 and 2023, the group entered into commercial agreements with certain merchants under which the group granted warrants in exchange for consumer acquisition services to expand the group´s user base, which Klarna determined to be distinct. The group determined the fair value of such services to be SEK 189m and SEK 62m, respectively, using the direct method for customer acquisition costs and this is recognized as share-based payments expense, included in general and administrative expenses, over the term of the commercial agreement.

The group have also granted warrants to certain merchants for non-distinct services, and the costs related to these warrants are recognized as a reduction of revenue.

Details on individual contributor and partner share warrant and option programs are outlined in the tables below:

	Share warrants & stock options	
Group	**Number of warrants**	**Weighted average exercise price SEK**
January 1, 2023	**1,933,083**	**5,206**
Granted during the year	1,102,024	6,131
Exercised during the year	(65,346)	807
Forfeited during the year	(417,518)	2,394
December 31, 2023	**2,552,243**	**5,706**
Granted during the year[1]	868,935	5,448
Exercised during the year	(126,580)	1,711
Forfeited during the year	(278,719)	5,333
December 31, 2024	**3,015,879**	**6,690**

The range of exercise prices for warrants outstanding as of December 31, 2024 and 2023 is between SEK 1 and SEK 14,789. The weighted average remaining contractual life for warrants is 3 years and 3,5 years

[1] In 2024, 400,065 options were granted with a weighted average exercise price of 5,811 per share. Of the total options granted, 179,519 vested immediately.

as of December 31, 2024 and 2023, respectively. The number of exercisable warrants is 40,000 and 51,500 as of December 31, 2024 and 2023, respectively.

The weighted average remaining contractual life for stock options was 3.7 years as of December 31, 2024. The number of exercisable stock options was 121,738 as of December 31, 2024. There were no stock options outstanding prior to the year ended December 31, 2024.

Klarna uses the Black-Scholes model when calculating the fair value of warrants and stock options granted to individual contributors, as well as certain partners when the fair value of goods and services cannot be reliably measured. The Company does not anticipate paying any cash dividends in the near future and, therefore, uses an expected dividend yield of zero in the option valuation model. The expected volatility is determined taking into consideration the historical volatility of the Company's common share and the historical volatility of comparable public companies. The risk-free rate is based on Swedish Central Bank (Sveriges Riksbank) bonds. The below table outlines the inputs used within the model:

	Share warrants & stock options	
Group	**2024**	**2023**
Expected volatility (%)	37	35-37
Risk-free interest rate (%)	2.0-2.8	2.6-3.3
Expected term (years)	2.9-4.5	2.8-5.3
Weighted average share price (SEK)	3,566	2,295

The weighted average fair value of warrants granted during the year was SEK 178 (SEK 171). The weighted average fair value of stock options granted during 2024 was SEK 1,023.

Employee Equity Program

The Group had a restricted share award program in which some employees acquired restricted shares in a group subsidiary entity that retains an ownership interest in Klarna Bank AB (publ), of which became fully vested in 2023. The restricted share awards were accounted for as an equity-settled share-based payment. The restricted shares were acquired by employees in exchange for a cash payment at fair market value, measured at the grant date, and therefore no associated expense was recognized. Upon vesting, participants retain ordinary shares in one of our subsidiaries holding an ownership interest in Klarna Bank AB (publ), reflected as non-controlling interest in the consolidated financial statements. The number of ordinary shares held in the group subsidiary entity as of December 31, 2024 and 2023 was 28,762 and 31,122 respectively. In 2024 and 2023, 2,347 and 10,693 shares held by former employees were exchanged for shares in Klarna Holding AB (publ), respectively.

It is intended that at a future date shareholders will have the opportunity to exchange their subsidiary company shares for Klarna Group plc shares. The number of Klarna Group plc shares to be exchanged includes a variable component dependent upon the value of Klarna Group at the time of the exchange. If such an exchange would have taken place as at the end of 2024 and 2023, the exchange yield would have been 6.1 and 2.8 shares for one subsidiary share, respectively.

Direct shares issuance

During 2024, the group granted 18,039 ordinary shares to certain employees. The shares were granted by the board of directors of Klarna Group plc and were accounted for as equity-settled share-based payments. The share-based compensation expense is based on grand-date fair value of the group´s ordinary shares and was recognized immediately as there were no vesting conditions or restrictions placed on the awards. The weighted average fair value of the ordinary shares granted was SEK 4,491.

Note 37 Information on related parties

Group and Parent Company

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

During the year, there have been normal business transactions between companies in the Group and agreed remuneration has been paid to the CEO, Board of Directors and other senior management personnel. The following transactions have taken place with related parties:

Milkywire was founded in 2018 by Nina Siemiatkowski, who is the spouse of Sebastian Siemiatkowski, the Groups Co-Founder and Chief Executive Officer. Klarna paid Milkywire AB SEK 7m in 2024 and SEK 10m in 2023 for sustainability-related services. In 2024, Klarna also transferred Milkywire an additional SEK 11m for purchases of carbon credits on the Group's behalf, all of which was paid to the providers of the carbon credits that the Group purchased.

Additionally, the Group donated SEK 40m in 2024 and SEK 58m in 2023 to the WRLD Foundation, where Nina Siemiatkowski serves as a board member. These arrangements were approved by the board, excluding the Chief Executive Officer.

	Group		Parent	
Related parties by type	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2023**
Related parties - revenues and expenses				
Interest income	4	–	1,593	538
Interest expenses	(445)	(328)	(722)	(601)
Services sold, sales	–	12	812	1,119
Services purchased	(188)	–	(4,628)	(2,677)
Group contribution received	–	–	38	61,100
Dividend received	–	–	1,483	–
Related parties - assets and liabilities				
Loan receivables	232	–	11,643	10,029
Other receivables	54	(48)	7,355	7,749
Loan liabilities	5,104	7,208	9,349	13,976
Other liabilities	176	–	604	331

In 2024 PriceRunner Holding AB, PriceRunner Sweden AB and PriceRunner International AB gave a group contribution of SEK 38m to Klarna Bank AB (publ). In 2023, PriceRunner Group AB, PriceRunner Sweden AB and PriceRunner International AB gave a group contribution of SEK 61,100m to Klarna Bank AB (publ).

Intragroup services are handled in accordance with the internationally recognized arm’s length principle, meaning that Klarna Bank AB (publ) and its subsidiaries are remunerated or pay for intragroup services in a manner corresponding to market terms.

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

Note 38 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights may relate to administrative tasks only, with the relevant activities of the entity being directed by means of contractual arrangements.

Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Unconsolidated structured entities

Synthetic securitizations

Klarna is not exposed to any variability in the returns of the SPVs involved in the synthetic securitization transactions. The premiums paid by Klarna are structured to mitigate, rather than introduce, variability of returns within the reference portfolio. Furthermore, Klarna is not considered the sponsor of the SPVs, as their management and operations are exclusively conducted by an independent external service provider, Intertrust.

Forward flow Securitization

During the year, the group entered into a forward flow transaction involving the sale of UK Pay Later 30 and Pay in 3 receivables to an external investor resulting in the incorporation of a securitization vehicle to house the transferred receivables, which was financed by the issuance of senior and junior notes held by third parties. The securitization vehicle does not meet the consolidation criteria as explained in the accounting principles. However, Klarna retains an interest in the vehicle due to the Group’s continued involvement as servicer of the transferred receivables.

The following information pertains to the unconsolidated vehicle with regards to Klarna’s total exposure to losses:

	Group		Parent company	
	Dec 31, 2024	Dec 31, 2023	Dec 31, 2024	Dec 31, 2023
Receivables held for sale (within other assets)	24	–	–	–
Ställda säkerheter (within bonds and other interest bearing securities)	17	–	17	–
Total assets	**41**	**–**	**17**	**–**
Payable to SPV (within other liabilities)	161	–	–	–
Total liabilities	**161**	**–**	**–**	**–**

The maximum exposure to loss includes Klarnas role as a servicer of the transferred receivables and any potential future losses arising from repurchase obligations due to breaches of representations and warranties under Klarnas securitization and third-party sale agreements. As of December 31, 2024 the exposure related to these repurchase obligations is not considered material.

Note 39 Capital adequacy and leverage ratio

Capital adequacy regulations

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

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

Common Equity Tier 1 capital

Klarna Holding AB (publ) reported a CET1 capital amount of SEK 12,970m as of December 31, 2024 (SEK 11,632m).

During 2024, Common Equity Tier 1 for the consolidated situation of Klarna Holding AB (publ) increased by SEK 1,339m. The increase was mainly from 2024 profits and retained earnings (SEK 247m), movements within other reserves (SEK 509m) and unrealized foreign exchange gains (SEK 426m).

Additional Tier 1 capital

On March 25, 2022 Klarna Bank AB (publ) issued SEK 276m Additional Tier 1 capital instruments. The instruments have a floating coupon rate corresponding to STIBOR 3M plus 7% per annum. The securities were offered to a limited number of large Nordic investors and the first call date is March 25, 2027.

On February 1, 2024 Klarna Holding AB (publ) issued SEK 1.5bn Additional Tier 1 capital instruments. The instruments have a floating coupon rate corresponding to STIBOR 3M plus 9.5% per annum. The securities were offered to a number of large Nordic investors and the first call date is February 1, 2029.

Subordinated liabilities

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

On August 16, 2023, Klarna Holding AB (publ) issued SEK 250m subordinated notes due 2033. The notes have a floating coupon rate corresponding to STIBOR 3M plus 7.5% per annum. The notes were allocated to a limited number of large Nordic investors and the first call date is August 16, 2028.

On April 19, 2024, Klarna Holding AB (publ) issued USD 100m subordinated notes due 2034. The notes have a floating coupon rate corresponding to SOFR (Index) plus 7% per annum. The notes were allocated to a limited number of large international investors and the first call date is April 19, 2029.

The three subordinated notes are eligible for inclusion as Tier 2 capital in accordance with current regulations.

Consolidated situation and methods for calculating minimum requirements

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

Pillar II Requirements and Guidance

Pillar II requirements cover risks that are not or are insufficiently covered by Pillar I and are determined by the Swedish Financial Supervisory Authority (SFSA) as the result of its periodic Supervisory Risk Evaluation Process (SREP). From October 1, 2024, Klarna Group’s Pillar II requirements were 1.16% of the risk exposure amount. Pillar II Guidance is the level of capital that the SFSA assesses to be a suitable level for each bank to hold to cover, for example, risks or aspects of risks and manage future stressed situations. From October 1, 2024, Klarna’s Pillar II Guidance amount is set to 3.5% of the risk exposure amount.

The Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (Pillar II)

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

The internally assessed capital requirement is based on the minimum capital requirement under Pillar I, the capital requirement for risks managed under Pillar II and the combined buffer requirements. The internally assessed capital required as per December 2023 amounts to SEK 11,857m (SEK 11,470m) for Klarna Bank AB (publ) and SEK 9,715m (SEK 9,074m) for the consolidated situation. Klarna thereby has sufficient capital to cover for required capital under Pillar I and Pillar II, including combined buffer requirements.

Capital Buffer Requirements

As at December 31, 2024, Klarna was subject to a Capital conservation buffer of 2.5% and to a Countercyclical capital buffer of 0.95% of the risk exposure amount for the consolidated situation, and 1.03% of the risk exposure amount for Klarna Bank AB.

Capital adequacy disclosure

Capital adequacy disclosures in accordance with the requirements in Commission Implementing Regulation (EU) No 2021/637 and the Swedish Financial Supervisory Authority (Finansinspektionen) requirements FFFS 2014:12 can be found in Klarna’s Capital adequacy reports.

IFRS 9 transitional adjustments

From January 1, 2018, Klarna applied the transitional rules in accordance with article 473a of the European Union regulation no 575/2013 in order to phase in the effect on the capital when applying IFRS 9. The capital adequacy calculations are adjusted with one dynamic and two static amounts over a period spanning 5 years.

As of January 1, 2025, the phase in is complete, and Klarnas IFRS 9 component will be zero onwards.

Excess subsidiary capital deduction

In accordance with Article 85 and 87 of CRR Klarna Bank AB (publ)'s Tier 1 and Tier 2 capital can only be included in the capital base of Klarna Holding Group with the share required to cover the minimum capital requirements of Klarna Bank AB (publ). As of December 31, 2024, an amount of SEK 153m Additional Tier 1 capital instruments issued by Klarna Bank AB (publ) were included in the Own funds of Klarna Holding AB (publ) consolidated.

Capital adequacy information	Consolidated situation 31 Dec 2024	31 Dec 2023	Klarna Bank AB (publ) 31 Dec 2024	31 Dec 2023[1]
Own funds, total risk exposure amount and total leverage ratio exposure				
Common Equity Tier 1 capital	12,970	11,632	17,214	14,170
Tier 1 capital	14,623	11,809	17,490	14,446
Own funds	16,503	12,560	17,490	14,466
Total risk exposure amount	77,022	71,794	91,952	89,836
Total leverage ratio exposure	147,422	131,831	157,866	145,348
Capital adequacy analysis				
Common Equity Tier 1 capital ratio	16.8 %	16.2 %	18.7 %	15.8 %
Tier 1 capital ratio	19.0 %	16.4 %	19.0 %	16.1 %
Total capital ratio	21.4 %	17.5 %	19.0 %	16.1 %
Leverage ratio	9.9 %	9.0 %	11.1 %	9.9 %
Requirements				
Overall capital requirement (OCR) ratio	12.6 %	12.4 %	12.9 %	12.8 %
of which: Pillar II requirement	1.2 %	0.9 %	1.4 %	1.2 %
of which: capital conservation buffer requirement	2.5 %	2.5 %	2.5 %	2.5 %
of which: countercyclical buffer requirement	1.0 %	1.0 %	1.0 %	1.0 %
CET1 available after meeting total SREP own funds requirements (%)	11.7 %	11.2 %	13.6 %	10.6 %
OCR and Pillar II Guidance (P2G)	16.1 %	15.9 %	12.9 %	12.8 %
of which: P2G	3.5 %	3.5 %	— %	— %
Exposure amounts for credit risk according to the standardized approach				
Credit risk including counterparty credit risk	123,404	115,018	130,725	126,967
of which: central governments or central banks	31,630	23,192	31,399	22,863
of which: regional governments or local authorities	945	2,683	945	2,683
of which: public sector entities	637	1,163	637	1,163
of which: multilateral development banks	1,783	1,777	1,783	1,777
of which: international organizations	712	1,102	712	1,102
of which: institutions	8,662	5,910	5,829	3,158
of which: corporates	7,488	9,440	22,855	22,687
of which: retail	67,358	63,938	51,323	51,787
of which: exposures in default	544	567	494	565
of which: covered bonds	118	506	118	506
of which: equity	172	345	11,508	15,436
of which: other items	3,355	4,395	3,122	3,240
Total exposure amount	**123,404**	**115,018**	**130,725**	**126,967**
Risk exposure amounts according to the standardized approach				
Credit risk including counterparty credit risk	64,363	64,479	77,748	82,197
of which: institutions	1,732	1,182	1,166	632
of which: corporates	7,153	9,151	22,536	22,396
of which: retail	50,518	47,953	38,492	38,840
of which: exposures in default	609	620	616	731
of which: covered bonds	12	51	12	51
of which: equity	431	742	11,767	15,833
of which: other items	3,908	4,780	3,159	3,340
Securitization positions	1,967	1,445	1,967	1,445
Market risk	5,260	1,217	6,144	1,637
of which: foreign exchange risk	5,260	1,217	6,144	1,637
Operational risk	5,308	4,535	5,970	4,813
Credit valuation adjustments	124	118	124	118
Total risk exposure amount	**77,022**	**71,794**	**91,952**	**89,836**

[1] The numbers for Klarna Bank AB (publ) as of 2023 has been updated reflecting a reassessment of accounting treatment for the convertible bonds issued by a subsidiary. For more information see Note 2.

	Consolidated situation		Klarna Bank AB (publ)	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Total minimum capital requirements				
Credit risk including counterparty credit risk	5,149	5,158	6,219	6,545
of which: institutions	139	95	93	51
of which: corporates	572	732	1,803	1,791
of which: retail	4,041	3,836	3,079	3,107
of which: exposures in default	49	50	49	59
of which: covered bonds	1	4	1	4
of which: equity	34	59	941	1,267
of which: other items	313	382	253	267
Securitization positions	157	116	157	116
Market risk	421	97	492	131
of which: foreign exchange risk	421	97	492	131
Operational risk	425	363	478	385
Credit valuation adjustments	10	9	10	9
Total capital requirement	**6,162**	**5,743**	**7,356**	**7,186**
Own funds disclosure				
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts	42,305	42,089	40,689	35,317
Retained earnings	(20,919)	(18,559)	(21,312)	(17,717)
Accumulated other comprehensive income (and other reserves)	1,525	590	649	1,276
Common Equity Tier 1 capital before regulatory adjustments	**22,911**	**24,120**	**20,026**	**18,876**
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	(1)	(1)	(1)	(1)
Intangible assets (net of related tax liability)	(10,031)	(10,288)	(1,225)	(1,414)
Losses for the current financial year	273	(2,332)	(1,335)	(3,403)
IFRS 9 transitional adjustments to CET1 Capital	291	496	222	449
Deferred tax assets rely on future profitability	–	(25)	–	–
Securitization positions alternatively subject to a 1250% risk weight	(473)	(338)	(473)	(338)
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	**(9,941)**	**(12,488)**	**(2,812)**	**(4,707)**
Common Equity Tier 1 (CET1) capital	**12,970**	**11,632**	**17,214**	**14,170**
Additional Tier 1 (AT1) capital instruments				
Capital instruments and the related share premium accounts	1,500	–	276	276
of which: classified as equity under applicable accounting standards	1,500	–	276	276
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	153	177		
Total Additional Tier 1 (AT1) capital instruments	**1,653**	**177**	**276**	**276**
Tier 1 capital	**14,623**	**11,809**	**17,490**	**14,446**
Tier 2 (T2) capital instruments				
Capital instruments and the related share premium accounts	1,880	751	–	–
Total Tier 2 (T2) capital instruments	**1,880**	**751**	**–**	**–**
Own funds	**16,503**	**12,560**	**17,490**	**14,446**

Note 40 Divestitures

On October 1, 2024, the Group completed the divestment of its Klarna Checkout ("KCO") operation to a consortium of investors. This transaction allows Klarna to focus on its flexible payment methods and partner more closely with payment service providers.

KCO was a shopping solution that provided consumers and merchants with a personalized shopping experience. KCO provided several different payment options as well as Klarna's proprietary products and other offerings from, or supported by, third-party payment option providers. KCO had approximately 24,000 merchants.

The Group received cash proceeds of SEK 2,065m and recognized a net gain of SEK 1,810m within other operating income in our income statement as a result of the sale in the fourth quarter of 2024.

In addition further cash proceeds up to a maximum of SEK 300m may be receivable contingent upon the disposed operation achieving certain performance criteria in 2026 and 2027. At the time of the sale and through December 31, 2024, Klarna had not recognized any additional consideration.

	1 Oct 2024
Consideration received or receivable:	
Cash	2,065
Fair value of contingent consideration receivable	–
Less: Transaction costs	(41)
Total disposal consideration	**2,024**
Carrying amount of net assets sold	(213)
Gain on sale before income tax	**1,810**
Income tax expense on gain	–
Gain on sale after income tax	**1,810**

The carrying amounts of net assets sold primarily consisted of goodwill of SEK 211m was allocated to KCO using a relative value approach. merchant receivables of SEK 23m, loans to credit institutions of SEK 108m, merchant liabilities of SEK 598m and other accrued expenses related to payment fees, payroll, social charges among others of SEK 55m. In connection with the disposal the former eliminate intercompany receivables became external, impacting the consolidated financial net assets by SEK 501m.

Klarna determined that the operation of its KCO part of the business did not meet the criteria to be classified as discontinued operations under IFRS as it is not a major business line or a geographic area of operations and KCOs operations or cash flows have historically not been clearly distinguishable.

Note 41 Merger

On September 23, 2024, Klarna Bank AB (publ) acquired 100% of the shares of Sofort GmbH (Corp. ID HRB218675) from Klarna Germany Holding GmbH (Corp. ID HRB230268) for SEK 3,434m. On December 17, 2024, a cross-border merger between Sofort GmbH and Klarna Bank AB (publ) was completed. Sofort GmbH was merged into Klarna Bank AB (publ), which operates in Germany through its German branch. The assets and liabilities of Sofort GmbH were recognized in accordance with Klarna Bank AB (publ)'s accounting principles.

The table below reflects the impact of the cross-border merger on Klarna Bank AB (publ)’s balance sheet as of December 17, 2024, showing the recognition of Sofort GmbH’s assets and liabilities and the derecognition of the Sofort GmbH subsidiary.

	Dec 17, 2024
Intangible assets	9
Tangible assets	92
Loans to the public	2,004
Other assets	423
Prepaid expenses and accrued income	94
Loans to credit institutions	171
Total assets	**2,793**
Provisions	1
Deferred tax liabilities	3
Other liabilities	206
Accrued expenses and prepaid income	6
Total liabilities	**216**
Net assets	**2,577**
Derecognized investment in Sofort GmbH Subsidiary	(3,434)
Merger impact on equity	**(857)**

Note 42 Significant events after the end of the reporting period

In March 2025, we entered into a commercial agreement with a global partner, pursuant to which we granted 15,343,932 warrants in our ultimate parent company, Klarna Group plc, in exchange for certain services, with a weighted average exercise price of $34 per warrant.

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
Common Equity Tier 1 (CET1) capital is the highest quality regulatory capital as it absorbs losses as soon as they happen. It includes equity excluding proposed dividend, deferred taxes and intangible assets and certain other regulatory adjustments defined in Regulation (EU) No 575/2013 (CRR) and EU 241/2014.

CET1 ratio
A core measure of a bank's financial strength. This is calculated by dividing CET1 by risk exposure amounts (REAs). The higher the ratio the more reserves a bank has.

Consumer
An individual or company using our services.

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

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

Gross Merchandise Volume
Value of products sold through Klarna platform.

Own funds (Total capital)
The sum of Tier 1 capital and Tier 2 capital.

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

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

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

Risk Exposure Amount (REAs)
Risk Exposure Amount refers to the total exposure of a bank, financial institution, or any other regulated entity to potential losses. It is the sum of credit risk, operational risk, market risk and the risk of a credit valuation adjustment.

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

Tier 2 capital
Subordinated liabilities, which are eligible for inclusion in the total capital.

Total capital ratio
Total capital as a percentage of risk exposure amounts.

Board of Directors' affirmation

The Board of Directors and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS/IAS) referred to in the European parliament and the councils' regulation (EC) 1606/2002, from July 19, 2002, on the application of International Accounting Standards. They give a true and fair view of the Parent Company's and the Group's financial position and result. It is further assured that the report of the Board of Directors gives a true and fair overview of the development of the Parent Company's and Group's business activities, financial position and results of operations as well as describes the material risks and uncertainties that the Parent Company and its subsidiaries are facing.

Stockholm, April 24, 2025

Michael J. Moritz

Chairman of the Board

Andrew Reed

Board member

Lise Kaae

Board member

Sarah Smith

Board member

Roger W. Ferguson, Jr.

Board member

Omid R. Kordestani

Board member

Sebastian Siemiatkowski

CEO and Board member

Our audit report was submitted on April 24, 2025

Ernst & Young AB

Hamish Mabon

Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Klarna Bank AB (publ), corporate identity number 556737-0431

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Klarna Bank AB (publ) for the year 2024 except for the corporate governance report on pages 7-25.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2024 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 7-25. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Allowance for credit losses

Description	*How our audit addressed this key audit matter*
As described in Notes 2 and 20 to the financial statements, the recorded consumer receivables are SEK 94 billion net of allowances for expected credit losses of SEK 3.9 billion for the group, and SEK 88 billion net of allowances for expected credit losses of SEK 2.9 billion for the parent company. Allowances for expected credit losses (“ECL”) are based on estimated loan repayment performance and the evaluation of accumulated credit risk by product, geography, and days past due. The probability of default, magnitude of estimated loss, and expected changes in exposure are derived from historical internal and external data. Auditing the Company’s allowance for ECL was complex due to the estimation uncertainty in loan repayment performance, accumulated credit risk assumptions, the automated nature of the Company’s consumer receivable process, and the complexity of the models and assumptions used to calculate ECL. Significant audit effort included the involvement of specialists.	To test the Company’s allowance for ECL our audit procedures included, among others, testing inputs and assumptions noted above used in model calculations such as days past due and probability of default. With the support of our specialists, we performed procedures on certain models used to determine the allowance for ECL, including, new model implementation testing, assessment of model performance, and sensitivity analyses. We have evaluated the Company’s validation procedures over a sample of models, and assessed the potential impact of future economic conditions and the application of historical internal and external data by comparing realized losses to previous estimates.

Merchant fees

Description	*How our audit addressed this key audit matter*
As disclosed in Notes 2 and 4 to the financial statements, merchant fees are derived from the volume of consumer transactions processed and a combination of value-based and fixed pricing. The transaction price is recognized at the point in time when the merchant successfully confirms the transaction, which is when the terms of the contract are fulfilled. A reduction of merchant fees to certain merchants is provided based on performance measures, including volume of processed transactions. Consideration payable to merchants that is not for a distinct good or service is recognized as a reduction to the transaction price. Auditing merchant fees is complex due to the judgment related to recognition of performance measures within certain merchant contracts.	To test the Company’s merchant fees our audit procedures included on a sample basis, reviewing and evaluating merchant contracts, including those with performance measures, testing transactions back to fixed or value-based pricing terms and recalculating merchant fees using actual transaction data. We have compared merchant fee amounts to subsequent cash settlements, tested revenue recognition by inspecting management’s transaction confirmation process with merchants, and evaluated completeness by testing a sample of transactions to merchant contracts. We have tested consideration payable to merchants by vouching to contract terms.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director’s responsibilities and tasks in general, among other things oversee the company’s financial reporting process.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company’s and the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated accounts. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor’s report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Klarna Bank AB (publ) for the year 2024 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group’s type of operations, size and risks place on the size of the parent company's and the group’s equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company’s organization and the administration of the company’s affairs. This includes among other things continuous assessment of the company’s and the group’s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors’ guidelines and instructions and among other matters take measures that are necessary to fulfill the company’s accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor’s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company’s profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 7-25 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Hamngatan 26, 111 47 Stockholm, was appointed auditor of Klarna Bank AB (publ) by the general meeting of the shareholders on the June 24, 2024 and has been the company's auditor since the May 26, 2016.

Stockholm April 24, 2025

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant