

**Interim Financial Statements: 1 January 2019 - 30 September 2019**

**Klarna.<sup>®</sup>**

**Klarna Bank AB Group**

## Summary of the period, January-September 2019

- The steadily increasing demand for Klarna's offering by consumers, merchants and partners across all markets drives continued growth in total underlying sales and total operating revenue, net, 30% and 31% YoY respectively. Total underlying sales amounted to almost SEK 230bn (USD 24bn) during the period.
  - Especially rapid growth in the US and UK, due to the in-app shopping feature and the interest-free instalments proposition, but also in core markets including the DACH region.
- Consumer acquisition continues at a high pace, and by the end of September close to 15 million new consumers have been added, or more than 20 million new consumers annualised based on September run rate.
  - Consumer preference and engagement continues to be high across markets, and some markets see an average of over 70% of consumers make multiple repeat transactions on a 12 months basis.
  - In the US, the number of new consumers is currently growing at an annual rate of 6 million. In the UK, 6 million consumers have used Klarna's services, and currently over 55,000 new consumers are being added weekly.
- The growth in number of monthly active Klarna app users continues as we reached almost 8 million at the end of the period, representing an increase of 68% compared to last year. In September, the app was downloaded 20,000 times per day, while in October it amounted to 25,000 downloads per day. Several new features have been launched, including the wishlist and the price drop function, which have proven popular among consumers, and now almost 1 million app users are active on a daily basis.
- In the US, the Klarna in-app shopping feature has very strong momentum, and the number of monthly active users has grown significantly, close to 160% from July to the end of September. In October, it was the top trending shopping app on the US Google Play Store. The Klarna app is by far the most downloaded app compared to direct competitors in the US, exceeding other apps by more than 100,000 monthly downloads.
- The Klarna card, currently available in Germany and Sweden, has reached more than 220,000 issued cards at the end of the period. The Klarna card and its in-demand features drive continued volume growth through both number of card holders and number of transactions.
- Almost 50,000 new merchants, both online and in-store, have been added by the end of September (60,000 YTD), meaning approximately 1,300 weekly additions. At the end of the period, Klarna had more than 180,000 live merchants, which by November had increased to 190,000.
  - Recent merchants we have partnered and are live with include; River Island, Boohoo, Abercrombie & Fitch, Hollister, Timberland, Swarovski, Good American, MVMT, Desenio, S by Serena Williams, Made.com, Rue21 and TOMS.
- Total expenses year to date are in line with plan, as the commitment to further invest in consumer-friendly product offering, top talent and increased brand awareness continues, with a focus on the US and market expansion. The preparatory work for the full launch in Australia is progressing according to plan.
- A growing consumer base, especially in new markets, temporarily affects net credit losses. As the share of returning consumers grows, net credit losses decrease.
- In August, Klarna raised USD 460m in an equity funding round, at a post money valuation of USD 5.5bn. This funding will support our continued rapid rise in the US market.

<sup>1</sup> Klarna's results are reported in SEK. To arrive at USD values, the average exchange rates YTD have been used; 1 USD equals approximately 9.4 SEK for the first nine months 2019.

## Income Statement, Klarna Bank AB Group

Amounts in SEkk	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Interest income calculated according to the effective interest rate method	2,003,250	1,451,667	2,033,517
Interest expenses	-259,269	-158,695	-232,144
<b>Net interest income</b>	<b>1,743,981</b>	<b>1,292,972</b>	<b>1,801,373</b>
Commission income	3,695,892	2,838,825	3,999,394
Commission expenses	-320,235	-222,051	-328,870
Net result from financial transactions	-51,288	-17,384	-26,970
Other operating income	22,728	3,795	5,854
<b>Total operating revenues, net</b>	<b>5,091,078</b>	<b>3,896,157</b>	<b>5,450,781</b>
General administrative expenses	-4,157,760	-3,087,755	-4,349,558
Depreciation, amortisation and impairment of intangible and tangible assets	-218,786	-117,283	-154,746
<b>Total expenses before credit losses</b>	<b>-4,376,546</b>	<b>-3,205,038</b>	<b>-4,504,304</b>
<b>Operating income before credit losses, net</b>	<b>714,532</b>	<b>691,119</b>	<b>946,477</b>
Credit losses, net	-1,195,940	-577,750	-785,567
<b>Operating income</b>	<b>-481,408</b>	<b>113,369</b>	<b>160,910</b>
Income tax	64,163	-49,954	-55,686
<b>Net income for the period</b>	<b>-417,245</b>	<b>63,415</b>	<b>105,224</b>

## Balance Sheet, condensed, Klarna Bank AB Group

Amounts in SEKk	30 Sep 2019	31 Dec 2018	30 Sep 2018
<b>Assets</b>			
Cash and balances with central banks	577	331	100,037
Chargeable central bank treasury bills	3,746,371	3,084,314	2,185,181
Loans to credit institutions	2,427,703	2,367,631	2,107,246
Loans to the public	24,899,850	19,979,002	16,087,761
Bonds and other interest-bearing securities	270,025	-	-
Other shares and participations	20,081	41,217	28,027
Intangible assets	2,118,866	2,006,084	1,972,649
Tangible assets	805,419	80,602	49,257
Other assets	605,890	300,651	310,154
<b>Total assets</b>	<b>34,894,782</b>	<b>27,859,832</b>	<b>22,840,312</b>
<b>Liabilities</b>			
Liabilities to credit institutions	446,670	1,418,054	929,910
Deposits from the public	14,903,304	14,581,769	10,398,140
Debt securities in issue	2,040,491	1,996,905	1,996,464
Other liabilities	12,100,711	5,123,285	4,800,052
Subordinated liabilities	598,241	597,560	597,456
<b>Total liabilities</b>	<b>30,089,417</b>	<b>23,717,573</b>	<b>18,722,022</b>
<b>Equity</b>	<b>4,805,365</b>	<b>4,142,259</b>	<b>4,118,290</b>
<b>Total liabilities and equity</b>	<b>34,894,782</b>	<b>27,859,832</b>	<b>22,840,312</b>

## Cash Flow Statement, condensed, Klarna Bank AB Group

Amounts in SEKk	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Cash flow from operating activities	305,736	781,609	893,183
Cash flow from investing activities	-1,175,150	-230,937	-353,714
Cash flow from financing activities	965,850	297,750	297,750
<b>Cash flow for the period</b>	<b>96,436</b>	<b>848,422</b>	<b>837,219</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,917,407</b>	<b>1,043,101</b>	<b>1,043,101</b>
Cash flow for the period	96,436	848,422	837,219
Exchange rate diff. in cash and cash equivalents	59,390	16,817	37,087
<b>Cash and cash equivalents at the end of period</b>	<b>2,073,233</b>	<b>1,908,340</b>	<b>1,917,407</b>
<b>Cash and cash equivalents include the following items</b>			
Cash and balances with central banks	577	100,037	331
Loans to credit institutions <sup>1</sup>	2,072,656	1,808,303	1,917,076
<b>Cash and cash equivalents</b>	<b>2,073,233</b>	<b>1,908,340</b>	<b>1,917,407</b>

<sup>1</sup>Adjusted for non-cash items in loans to credit institutions such as money in transfer.