

**Financial Statements: 1 January 2016 - 31 December 2016**



**Klarna AB Group**

## Income statement, Klarna AB Group

Amounts in TSEK	2016-12-31	2015-12-31
Interest income	1,282,921	1,053,072
Commission income	2,265,763	1,715,817
Other operating income	11,977	7,577
<b>Total operating revenues</b>	<b>3,560,661</b>	<b>2,776,466</b>
Interest expenses	-102,212	-84,656
Commission expenses	-150,281	-98,156
Net income from financial transactions	-18,665	-11,886
General administrative expenses	-2,584,887	-1,972,789
Depreciation, amortization of intangible and tangible fixed assets	-112,628	-103,601
Credit losses, net	-423,688	-335,251
<b>Total operating expenses</b>	<b>-3,392,361</b>	<b>-2,606,339</b>
<b>Operating income</b>	<b>168,300</b>	<b>170,127</b>
Income tax expense	-54,873	-42,716
<b>Net income for the year</b>	<b>113,427</b>	<b>127,411</b>

### Comments:

- Total operating revenue grew by 28 percent in 2016. This driven by increased number of purchases and increased volumes due to growth in both mature markets as well as in newly established markets
- Interest income grew by 22 percent year on year and is driven by increased volume as underlying lending growth continues
- Commission income increased by 32 percent year on year and is mainly driven by increased number of on-boarded merchant driving increased volumes
- Total operating expenses grew 30 percent and is mainly driven by provision against a pending VAT case Total provision of SEK 166 million is included in 2016 actual. The growth disregarding the VAT provision would have been 24 percent, which is mainly driven by increased staff costs as recruitment into strategic important areas continues
- Credit losses grew 26 percent driven by increased volume. Underlying credit quality improves in all market and as a share of volume continues to decrease
- Net income for the year recorded at SEK 113 million

## Balance Sheet, Klarna AB Group

Amounts in TSEK	2016-12-31	2015-12-31
<b>Assets</b>		
Cash and cash equivalents	2,176,427	1,290,157
Lending to the public	8,362,961	6,037,726
Shares and participation in unlisted companies	10,315	12,315
Intangible assets	1,212,236	1,191,710
Tangible fixed assets	54,825	53,520
Other assets	265,060	172,967
<b>Total assets</b>	<b>12,081,824</b>	<b>8,758,395</b>
<b>Liabilities</b>		
Liabilities to credit institutions	754,944	708,826
Deposits from the public	5,839,490	3,959,427
Other liabilities	2,573,224	1,626,780
Subordinated debt instruments	296,801	-
<b>Total liabilities</b>	<b>9,464,459</b>	<b>6,295,033</b>
<b>Equity</b>	<b>2,617,365</b>	<b>2,463,362</b>
<b>Total liabilities and equity</b>	<b>12,081,824</b>	<b>8,758,395</b>

### Comments:

- Total assets increased 38 percent and is mainly driven by lending to the public which grew 39 percent. The growth is mainly driven by increased volumes in mature markets but also supported by the newly established markets
- The lending to the public have been financed predominantly by deposits which grew by 47 percent and merchant liabilities at the back end of volume growth
- During Q2 Klarna issued a Tier 2 bond of SEK 300 million recorded in subordinated debt instruments
- Common Equity Tier 1 ratio recorded at 15.9 percent at 31st of December 2016. Total capital ratio including T2 capital recorded at 18.8 percent

## Cash Flow Statement, Klarna AB Group

Amounts in TSEK	2016-12-31	2015-12-31
Cash flow from operating activities	531,595	-597,969
Cash flow from investing activities	-93,777	-72,117
Cash flow from financing activities	296,801	377,004
<b>Cash flow for the year</b>	<b>734,619</b>	<b>-293,082</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>437,919</b>	<b>728,684</b>
Cash flow for the year	734,619	-293,082
Exchange rate diff. in cash & cash equivalents	-842	2,317
<b>Cash and cash equivalents at the end of year</b>	<b>1,171,696</b>	<b>437,919</b>
<b>Cash and cash equivalents include the following items:</b>		
Cash in hand	40	55
Lending to credit institutions <sup>1</sup>	1,171,656	437,864
<b>Cash and cash equivalents</b>	<b>1,171,696</b>	<b>437,919</b>

<sup>1</sup> Adjusted for non-cash items in lending to credit institutions

### Comments:

- Cash flow for the year is mainly supported by deposit growth and Tier 2 investment