

Interim Financial Statements: 1 January 2016 - 30 June 2016



Klarna AB Group

Income statement, Klarna AB Group

| Amounts in TSEK | 2016-06-30 | 2015-06-30 | 2015-12-31 |
|---|-------------------|-------------------|-------------------|
| Interest income | 609,315 | 509,281 | 1,053,072 |
| Commission income | 1,078,444 | 772,745 | 1,715,817 |
| Other operating income | 5,072 | 4,200 | 7,577 |
| Total operating revenues | 1,692,830 | 1,286,226 | 2,776,466 |
| Interest expenses | -44,869 | -43,272 | -84,656 |
| Commission expenses | -62,821 | -43,444 | -98,156 |
| Net income from financial transactions | -9,166 | -3,796 | -11,886 |
| General administrative expenses | -1,192,142 | -874,926 | -1,988,842 |
| Depreciation, amortization of intangible and tangible fixed assets | -51,407 | -49,755 | -103,601 |
| Credit losses, net | -199,020 | -108,254 | -319,197 |
| Total operating expenses | -1,559,425 | -1,123,446 | -2,606,339 |
| Operating income | 133,405 | 162,780 | 170,127 |
| Income tax expense | -36,909 | -37,357 | -42,716 |
| Net income for the period | 96,496 | 125,423 | 127,411 |

Comments:

- Total operating revenue grew by 32 percent in the first six month of 2016, representing an accelerated growth trend
- Interest income grew by 20 percent year on year and is driven by increased volume. Reminder fees and overdue interest decreased as a share of interest income
- Commission income increased by 40 percent year on year and is mainly driven by increased number of merchants which drove factoring fees. Also user income increased as number of transactions and volumes increased
- Total operating expenses grew by 39 percent and was mainly driven by increased staff costs
- Credit losses increased by SEK 91 million and was mainly driven by new markets entry and total underlying volume growth. The past three month the credit losses have stabilized in the new markets and mature markets underlying credit quality remains good
- Net income for the period was SEK 96 million

Balance Sheet, Klarna AB Group

| Amounts in TSEK | 2016-06-30 | 2015-06-30 | 2015-12-31 |
|--|------------------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | 1,730,613 | 1,516,877 | 1,290,157 |
| Lending to the public | 6,621,851 | 4,604,241 | 6,037,726 |
| Shares and participation in unlisted companies | 10,315 | - | 12,315 |
| Intangible assets | 1,213,539 | 1,228,053 | 1,191,710 |
| Tangible fixed assets | 57,532 | 45,699 | 53,520 |
| Other assets | 211,348 | 162,536 | 172,967 |
| Total assets | 9,845,198 | 7,557,407 | 8,758,395 |
| Liabilities | | | |
| Liabilities to credit institutions | 25,281 | 338,754 | 708,826 |
| Deposits from the public | 5,044,872 | 3,693,218 | 3,959,427 |
| Other liabilities | 1,893,270 | 1,438,301 | 1,626,780 |
| Subordinated debt instruments | 296,605 | - | - |
| Total liabilities | 7,260,028 | 5,470,274 | 6,295,033 |
| Equity | 2,585,170 | 2,087,133 | 2,463,362 |
| Total liabilities and equity | 9,845,198 | 7,557,407 | 8,758,395 |

Comments:

- As at 30th of June lending to public recorded at SEK 6.6 billion which is equivalent to a growth of 44 percent year on year and a 10 percent growth the first six month in 2016. The growth is driven both by increased volumes in existing markets as well as newly established markets
- The lending growth has been financed primarily by deposits which grew by 37 percent year on year and 27 percent as from 31st of December 2015, but also by increased merchant liabilities which grew at the back end of increased number of merchant and increased volumes
- During Q2 Klarna issued a Tier 2 bond of SEK 300 million recorded in subordinated debt instruments
- Common Equity Tier 1 ratio recorded at 17.2 percent at 30th of June 2016. Total capital ratio including T2 capital recorded at 20.6 percent

Cash Flow Statement, Klarna AB Group

| Amounts in TSEK | 2016-06-30 | 2015-06-30 | 2015-12-31 |
|---|----------------|----------------|-----------------|
| Cash flow from operating activities | 249,169 | 232,736 | -597,790 |
| Cash flow from investing activities | -52,036 | -32,626 | -72,117 |
| Cash flow from financing activities | 296,684 | 772 | 376,825 |
| Cash flow for the year | 493,817 | 200,882 | -293,082 |
| Cash and cash equivalents at the beginning of year | 437,919 | 728,684 | 728,684 |
| Cash flow for the year | 493,817 | 200,882 | -293,082 |
| Exchange rate diff. in cash & cash equivalents | 1,243 | -436 | 2,317 |
| Cash and cash equivalents at the end of year | 932,979 | 929,130 | 437,919 |
| Cash and cash equivalents include the following items: | | | |
| Cash in hand | 42 | 17 | 55 |
| Lending to credit institutions ¹ | 932,937 | 929,113 | 437,864 |
| Cash and cash equivalents | 932,979 | 929,130 | 437,919 |

¹ 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