

Interim Financial Statements: 1 January 2017 - 30 June 2017

Klarna.

Klarna Bank AB Group

Income statement, Klarna Bank AB Group

Amounts in TSEK	2017-06-30	2016-06-30	2016-12-31
Interest income	724 247	609 315	1 282 921
Commission income	1 321 186	1 078 444	2 265 763
Other operating income	6 146	5 072	11 977
Total operating revenues	2 051 579	1 692 830	3 560 661
Interest expenses	-63 599	-44 869	-102 212
Commission expenses	-90 125	-62 821	-150 281
Net income from financial transactions	-4 688	-9 166	-18 665
General administrative expenses	-1 333 746	-1 192 142	-2 584 887
Depreciation, amortization of intangible and tangible fixed assets	-62 390	-51 407	-112 628
Credit losses, net	-176 524	-199 020	-423 688
Total operating expenses	-1 731 072	-1 559 425	-3 392 361
Operating income	320 507	133 405	168 300
Income tax expense	-92 063	-36 909	-54 873
Net income for the year	228 444	96 496	113 427

Comments:

- Total operating revenues grew by 21 percent the first six months on the back of significantly increased recorded volumes
- Interest income and commission income grew by 19 percent year on year and is driven by increased volumes
- Commission income increased 23 percent year on year and is driven by an increased factoring fees at the back end of increased number of new merchants. End user income also increased as number of transactions continues to increase rapidly
- Total operating expenses increased by 11 percent year on year and is mainly driven by increased staff costs
- Credit quality remains good and credit losses decreased by 11 percent year on year. Improved credit quality in Germany and U.K has contributed this improvement.
- Operating income was SEK 321 million at a margin of 16 percent (8 percent)

Balance Sheet, Klarna Bank AB Group

Amounts in TSEK	2017-06-30	2016-12-31	2016-06-30
Assets			
Cash and cash equivalents	1 577 410	2 176 427	1 730 613
Lending to the public	9 735 650	8 450 037	6 693 105
Shares and participation in unlisted companies	10 315	10 315	10 315
Intangible assets	1 221 634	1 212 236	1 213 539
Tangible fixed assets	57 652	54 825	57 532
Other assets	201 892	177 984	140 094
Total assets	12 804 553	12 081 824	9 845 198
Liabilities			
Liabilities to credit institutions	483 532	754 944	25 281
Deposits from the public	6 190 265	5 839 490	5 044 872
Other liabilities	2 730 217	2 573 224	1 893 270
Subordinated debt instruments	296 921	296 801	296 605
Total liabilities	9 700 935	9 464 459	7 260 028
Equity	3 103 618	2 617 365	2 585 170
Total liabilities and equity	12 804 553	12 081 824	9 845 198

Comments:

- As at 30th of June lending to the public recorded at SEK 9,735 million which is equivalent to a growth by 45 percent year on year and a growth by 15 percent since 31st of December last year. This is representing an increased growth rate in comparison to the same period 2016
- The growth in assets have been financed by primarily increased deposits, which grew 23 percent year on year
- During Q1 Klarna issued an additional tier 1 bond of SEK 250 million recorded in equity
- As at 30th of June common equity tier 1 ratio recorded at 15.3 percent and total capital ratio recorded at 19.8 percent

Cash Flow Statement, Klarna Bank AB Group

Amounts in TSEK	2017-06-30	2016-06-30	2016-12-31
Cash flow from operating activities	-934 772	249 169	531 595
Cash flow from investing activities	-64 180	-52 036	-93 777
Cash flow from financing activities	248 000	296 684	296 801
Cash flow for the year	-750 952	493 817	734 619
Cash and cash equivalents at the beginning of year	1 171 696	437 919	437 919
Cash flow for the year	-750 952	493 817	734 619
Exchange rate diff. in cash & cash equivalents	3 103	1 243	-842
Cash and cash equivalents at the end of year	423 847	932 979	1 171 696
Cash and cash equivalents include the following items:			
Cash in hand	51	42	40
Lending to credit institutions ¹	423 796	932 937	1 171 656
Cash and cash equivalents	423 847	932 979	1 171 696

¹ Adjusted for non-cash items in lending to credit institutions

Comments:

- Cash flow for the year is mainly impacted by increased lending to the public
- The additional tier 1 capital is recorded as financing activities