

Interim Financial Statements: 1 January 2018 - 31 March 2018

Klarna.[®]

Klarna Bank AB Group

Income statement, Klarna Bank AB Group

Amounts in SEKk	2018-03-31	2017-03-31	2017-12-31
Interest income	497,225	350,324	1,591,013
Commission income	838,630	638,209	2,924,191
Other operating income	1,171	3,320	10,675
Total operating revenues	1,337,026	991,853	4,525,879
Interest expenses	-51,737	-31,966	-138,682
Commission expenses	-67,049	-44,594	-205,253
Net income from financial transactions	-11,318	-2,917	-23,899
General administrative expenses	-881,220	-661,490	-2,932,765
Depreciation, amortisation and impairment of intangible and tangible fixed assets	-35,927	-30,720	-200,575
Credit losses, net	-179,599	-81,990	-500,718
Total operating expenses	-1,226,850	-853,677	-4,001,892
Operating income	110,176	138,176	523,987
Income tax expense	-34,694	-41,570	-178,374
Net income for the period	75,482	96,605	345,613

Comments (January-March 2018 vs January-March 2017):

- Total operating revenues grew by 35 percent mainly driven by higher volumes as a result of new merchants being onboarded as well as new end consumers. Overall volume growth for the first quarter was close to 40 percent compared to last year
- Interest income grew by 42 percent driven by increased volume, however in line with our expectations, reminder fees and overdue interest continued to decrease as a share of total interest income
- Commission income increased by 31 percent as a result of higher volumes
- Total operating expenses grew by 44 percent with general administrative expenses being the main driver. The number of employees has increased significantly compared to first quarter last year to support Klarna's continued growth
- Net losses increased significantly on the prior year levels, primarily driven by a 59 percent growth of loans to the public, and with notable growth seen from outside the Nordic markets. In addition, incremental provisions were booked as the result of higher IFRS 9 coverage on early arrears and performing assets (implemented in January 2018). These incremental provisions account for a material portion of the overall increase, when compared to prior year levels booked using IAS 39 standards
- Net income for the first quarter recorded at SEK 75m, a decrease of 22 percent compared to the first quarter last year

Balance Sheet, Klarna Bank AB Group

Amounts in SEKk	2018-03-31	2017-12-31	2017-03-31
Assets			
Cash and cash equivalents	2,328,277	1,211,814	986,212
Chargeable central bank treasury bills	1,775,233	1,847,705	1,008,148
Loans to the public	13,701,182	13,874,164	8,622,206
Other shares and participations	26,764	-	10,315
Intangible assets	1,900,486	1,801,072	1,199,359
Tangible assets	57,199	61,844	55,525
Other assets	173,663	190,633	171,197
Total assets	19,962,804	18,987,232	12,052,962
Liabilities			
Liabilities to credit institutions	378,613	396,965	51,561
Deposits from the public	9,281,649	8,491,654	6,259,894
Debt securities in issue	1,995,630	1,995,036	-
Other liabilities	3,876,738	3,772,926	2,732,026
Subordinated liabilities	297,217	297,121	296,878
Total liabilities	15,829,847	14,953,702	9,340,359
Equity	4,132,957	4,033,530	2,712,603
Total liabilities and equity	19,962,804	18,987,232	12,052,962

Comments (March 2018 vs December 2017):

- Loans to the public recorded at SEK 13.7bn at the end of the first quarter, as year end volumes were high stemming from the Black week and Christmas 2017
- The cash position grew significantly mainly as a result of increasing deposits from the public
- Deposits from the public have increased with approximately SEK 800m as a result of increased interest rates in the beginning of the year

Cash Flow Statement, Klarna Bank AB Group

Amounts in SEkk	2018-03-31	2017-03-31	2017-12-31
Cash flow from operating activities	1,088,370	-210,963	-2,599,802
Cash flow from investing activities	-87,933	-20,136	-561,029
Cash flow from financing activities	-	-	3,021,419
Cash flow for the year	1,000,437	-231,099	-139,412
Cash and cash equivalents at the beginning of year	1,043,101	1,171,696	1,171,696
Cash flow for the year	1,000,437	-231,099	-139,412
Exchange rate diff. in cash & cash equivalents	20,246	1,555	10,817
Cash and cash equivalents at the end of year	2,063,784	942,152	1,043,101
Cash and cash equivalents include the following items:			
Cash in hand	41	51	36
Lending to credit institutions ¹	2,063,743	942,101	1,043,065
Cash and cash equivalents	2,063,784	942,152	1,043,101

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

Comments (January-March 2018 vs January-March 2017):

- Positive cash flow from operating activities is the main driver of the cash flow for the year. Other drivers include increased deposits from the public and decreased loans to the public compared to the end of 2017. First quarter in 2017 was also impacted by a significant decrease in liabilities to credit institutions explaining the negative cash flow last year