

Financial update: 1 January 2020 – 30 September 2020

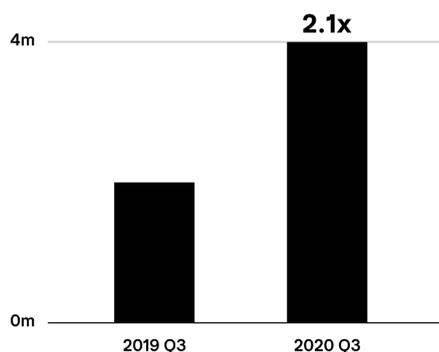
Klarna.

Klarna Bank AB Group

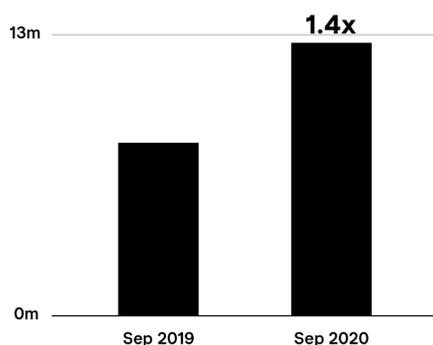
Klarna's performance, January - September 2020

- Continued strong momentum during the period and into Q4. Consumers across markets are looking for a better, smarter, and more flexible way to shop and pay, reflected in **43% growth of gross merchandise volume to USD 35bn**. All time high in monthly volume globally in September.
- **Net credit losses decreased for the second consecutive quarter and was 28% lower** compared to Q3 2019. The improved credit behavior is especially driven by the US market and results from consistent focus to strengthen the credit portfolio.
- Total net operating income growth of **37% to USD 742m**.
- **21 million new consumers** globally.
- **160% YoY growth in global app downloads** and 13 million monthly active app users by end of period. In October alone, one million new monthly active users joined, reaching **14 million** in total.
- **57,000 new retail partners** including Macy's, Etsy, Sephora, Ralph Lauren, Club Monaco, The North Face, Finish Line, Saks OFF 5TH and Express.
- **US market:** 1.7 million monthly active app users by the end of September, swelling to **2 million** by end of October. New all time high in monthly app shopping volume in September in the US.
 - 10 million total consumers by period end, and **11 million** by the end of October.
 - App was **64% of all pay later app downloads** in the US during September, dominating the charts and the **#1 shopping app** in the US App Store.
 - Rapid growth in app downloads continues, in November averaging **50,000 new daily downloads, three times more than nearest direct competitors**.
 - Loyalty program Vibe reached **500,000 members** in November.
- While strong revenue growth, consistent focus on managing down consumer late fees.
- Launched in four new markets; Australia, Belgium, Italy and Spain.

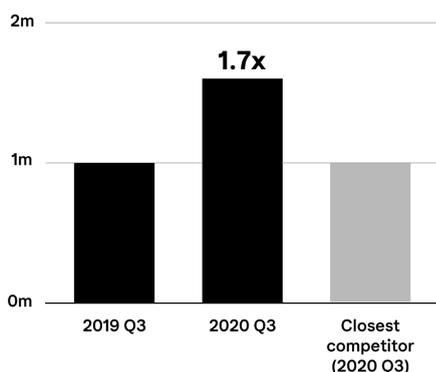
Global app installs



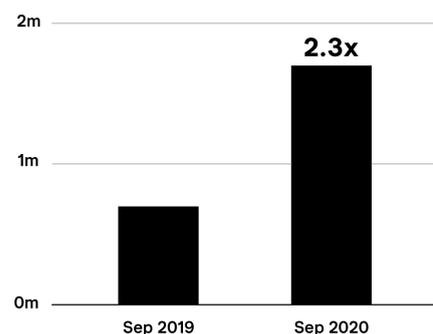
Global monthly active app users



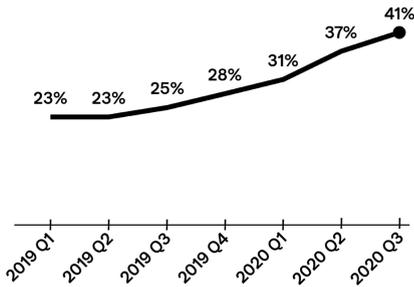
US app installs



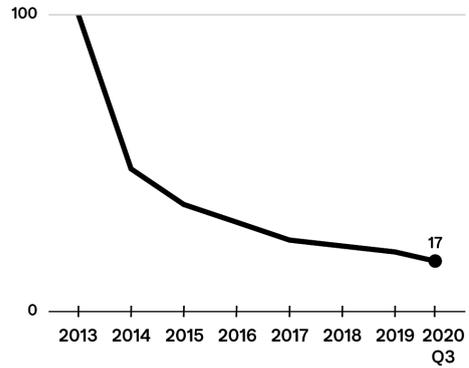
US monthly active app users



Year-on-year growth in gross merchandise volume (rolling 12 months), constant currency



Indexed late fees as share of volume



Rapidly growing retailer base with global brands

Fast fashion	Luxury fashion	Shoes & Accessories	Beauty & Cosmetics	Sports & Outdoors	Marketplaces & Electronics & Gaming
H&M	★macy's FARFETCH	JD	SEPHORA BEAUTY BAY	GYMSHARK TaylorMade	Etsy AliExpress
ASOS	Saks Fifth Avenue OFF 5TH	FINISH LINE Dr. AirWair Martens	RITUALS... BEAUTYCOUNTER	HIBBETT SPORTS	dyson
EXPRESS	MCM	MVMT	cult BEAUTY	BURTON	Lenovo
RIVER ISLAND	RALPH LAUREN	TOMS	CharlotteTilbury	THE NORTH FACE	SAMSUNG
boohoo	MARCHESA	DW Daniel Wellington			GameStop POWER TO THE PLAYERS

Summary of the period, January 1 - September 30, 2020

All numbers relate to the period January 1 - September 30 2020 if not otherwise stated.

Business highlights from the period:

- The accelerated shift towards e-commerce globally continues and our offering resonates well with consumers and retailers. We are providing a smarter, healthier and simpler alternative to credit cards, and the rapidly increasing demand drives volume growth. Gross merchandise volume¹ increased by **43% YoY** and amounts to **SEK 330bn (USD 35bn²)**. Total net operating income increased by **37% YoY** and amounted to **SEK 7bn (USD 742m)**. As new retailers are onboarded and current ones increase their focus on e-commerce in line with consumer demand, we have seen a 58% increase in Merchant revenue and overall increase of 42% YoY in Commission income, amounting to SEK 5.2bn (USD 558m). During the quarter, Klarna has increasingly diversified revenue streams with new non-credit and affiliate services.
- While gross merchandise volume continued to see strong growth during the period, **net credit losses improved for the second consecutive quarter, decreasing by 28% compared to Q3 2019**. The improved credit behavior is especially driven by the US market, and results from consistent focus to strengthen the credit portfolio, taking both new and returning consumers into account. In the context of the current macroenvironment, we maintain the reserve of SEK 127m (USD 14m) as market conditions remain uncertain in light of Covid-19 and related effects.
- During the period close to **21 million new consumers** used our services across all markets. We see particularly strong growth in the US where the number of consumers have grown by 230% compared to the same period last year. Most importantly our consumer base is highly engaged and loyal, and we continue to see that existing consumers transact even more frequently.
- More consumers have discovered the benefits of using the shopping browser, i.e. the direct to consumer offering in the Klarna app that enables them to shop at any of their preferred retailers. The Klarna app is a one-stop shopping destination that covers the whole journey, from browsing and finding the best deals, to purchasing items from any online retailer, paying with our flexible alternatives and delivery tracking. The direct to consumer offering has expanded to new markets and sees immediate traction, with **160% YoY growth** in global app downloads, and close to 13 million monthly active app users by period end, reaching **14 million by end of October**. Consumers are increasingly engaging with the different app features such as wish lists, as they plan for what to shop. At period end, close to 3.5 million items had been added to wish lists.
- Global brands and retailers continue to choose Klarna as their preferred payment provider and onboarding has accelerated ahead of the busiest shopping season. Our elevated shopping experience drives millions of referrals and traffic each month from owned channels to our retailers as consumers are actively seeking out retailers where they can shop with Klarna. During the period more than **57,000 retailers** have been added to the global base of more than 200,000 retail partners.
 - New and existing retailers include: Macy's, Etsy, Sephora, H&M, Express, ASOS, The North Face, Finish Line, TaylorMade, Abercrombie & Fitch, Beautycounter, Vans, Farfetch, FWRD, Gymshark, Samsung, Fender, NTWRK, Timberland, Beauty Bay, Ralph Lauren and Acne Studios.
- The popularity of Klarna's offering in the US is growing rapidly and the number of consumers that have used our services amounted to more than 10 million by the end of September. The accelerated consumer acquisition continued after period end and amounted to more than **11 million by the end of October**. The Klarna app in the US had 1.7 million monthly active users by the end of the period reaching **2 million by the end of October**. In September we reached a new all time high in monthly shopping volume. The Klarna app made up **64% of all pay later app downloads** during the month of September³ and took **the number one spot** among the most downloaded shopping apps in the US App Store ahead of giants like Amazon, Walmart and Target. This growth has continued, and the app is by November averaging **50,000 new daily downloads**, three times more than

¹ Total monetary value of sold products and services through Klarna over a given period of time.

² 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 Jan-Sep 2020.

³ Data from [AppTopia](#).

nearest direct competitors. Klarna's loyalty program, Vibe, which rewards consumers who pay their goods on time has grown quickly. We saw great traction already in beta stage during summer with more than 500 users enrolling per week from a limited user base. After full launch at the beginning of September, 350,000 consumers have joined, and earlier in November we reached **the half million mark**. The program has recently been rolled out in Australia and other markets will follow.

- Despite the accelerated shift to online we have seen strong volume growth of **174% through the Klarna card**. Its flexible, smart and rewarding features includes no fees, no added FX cost, instant purchase notifications and the possibility to pay with your phone. This feature provides a safer way to pay as consumers don't have to touch any devices. We are also seeing how Germans to a larger extent are turning from cash to card, with September being a record month with almost **30,000 cards issued** to new users in Germany and Sweden combined. By the end of October, the total number of issued cards reached **500,000**.
- We have expanded our banking offering by launching our own savings accounts in Sweden in July. Our accounts offer consumers competitive rates, and we have seen immediate traction with more than **20,000 new consumers** at period end. We have also partnered with Raisin, a deposit market place, to further strengthen our presence in the German deposit market. The Klarna savings account is the first step in building an integrated banking experience for our consumers.
- Total expenses were in line with plan. We remain committed to further investing in expanding and enhancing our consumer-friendly product offering as well as in top talent and increased brand awareness, with a focus on the US and market expansion. This year alone we have launched in four new markets: Australia in partnership with Commonwealth Bank of Australia (CBA), Belgium, Spain and Italy.
- We continue to very actively manage down the share of late fees in relation to total volume during the period. This is to a large extent supported by increased app usage adoption as the app helps consumers keep track of their outstanding payments, enabling them to increase control over their personal finances.

Events during the period:

- In September, we announced that we raised USD 650m in an equity funding round at a post money valuation of USD 10.65bn, which ranks Klarna as the highest-valued private fintech in Europe and now the 4th highest worldwide. The funding round provides a robust financial position, which will support our further investment in our unique shopping offering, continue to grow our global presence, and accelerate our strong momentum across all markets, especially in the US. The funding round was led by Silver Lake, the global leader in technology investing, alongside GIC - Singapore's sovereign wealth fund - as well as funds and accounts managed by BlackRock and HMI Capital. Concurrently, Merian Chrysalis, TCV, Northzone and Bonnier have acquired shares from existing shareholders.

Income Statement, Klarna Bank AB Group

Amounts in SEKk	Jan - Sep 2020	Jan - Sep 2019	Jan - Dec 2019
Interest income calculated according to the effective interest rate method	2,398,492	2,003,250	2,794,769
Interest expenses	-434,638	-259,269	-368,203
Net interest income	1,963,854	1,743,981	2,426,566
Commission income	5,248,423	3,695,892	5,232,181
Commission expenses	-372,901	-320,235	-476,023
Net result from financial transactions	51,633	-51,288	-76,437
Other operating income	80,150	22,728	48,381
Total net operating income	6,971,159	5,091,078	7,154,668
General administrative expenses	-5,874,126	-4,157,760	-6,081,229
Depreciation, amortization and impairment of intangible and tangible assets	-289,314	-218,786	-299,271
Total operating expenses before credit losses	-6,163,440	-4,376,546	-6,380,500
Operating profit before credit losses, net	807,719	714,532	774,168
Credit losses, net	-1,608,636	-1,195,940	-1,862,817
Operating profit	-800,917	-481,408	-1,088,649
Income tax	180,373	64,163	186,293
Net profit for the period	-620,544	-417,245	-902,356

Balance Sheet, Klarna Bank AB Group

Amounts in SEkk	30 Sep 2020	31 Dec 2019	30 Sep 2019
Assets			
Cash and balances with central banks	4,869,682	107,076	577
Treasury bills chargeable at central banks, etc.	8,677,133	2,510,606	3,746,371
Loans to credit institutions	2,233,987	1,907,129	2,427,703
Loans to the public	35,130,547	29,654,552	24,899,850
Bonds and other interest-bearing securities	1,966,349	1,833,567	270,025
Other shares and participations	20,081	20,081	20,081
Intangible assets	2,354,089	2,145,846	2,118,866
Tangible assets	1,081,566	892,654	805,419
Deferred tax assets	508,588	310,666	46,285
Other assets	985,649	337,071	324,113
Prepaid expenses and accrued income	235,825	148,312	235,492
Total assets	58,063,496	39,867,560	34,894,782
Liabilities			
Liabilities to credit institutions	406,262	4,939,524	446,670
Deposits from the public	30,194,561	12,287,653	14,903,304
Debt securities in issue	3,152,121	5,582,703	2,040,491
Deferred tax liabilities	80,413	76,411	113,970
Other liabilities	16,643,589	9,822,329	10,873,963
Accrued expenses and prepaid income	1,162,200	907,475	732,767
Provisions	140,561	357,674	380,011
Subordinated liabilities	598,981	598,325	598,241
Total liabilities	52,378,688	34,572,094	30,089,417
Equity			
Share capital	52,752	52,752	52,752
Other capital contributed	5,805,140	4,805,140	3,812,489
Reserves	237,440	225,821	274,339
Additional Tier 1 instruments	250,000	250,000	250,000
Retained earnings	-39,980	864,109	833,030
Net profit for the period	-620,544	-902,356	-417,245
Total equity	5,684,808	5,295,466	4,805,365
Total liabilities and equity	58,063,496	39,867,560	34,894,782

Cash Flow Statement, condensed, Klarna Bank AB Group

Amounts in SEKk	Jan - Sep 2020	Jan - Sep 2019	Jan - Dec 2019
Cash flow from operating activities ¹	6,853,307	305,736	-2,429,915
Cash flow from investing activities	-238,540	-1,175,150	-1,379,179
Cash flow from financing activities	-1,536,745	965,850	3,474,384
Cash flow for the period	5,078,022	96,436	-334,710
Cash and cash equivalents at the beginning of the period	1,618,008	1,917,407	1,917,407
Cash flow for the period	5,078,022	96,436	-334,710
Exchange rate diff. in cash and cash equivalents	-1,718	59,390	35,311
Cash and cash equivalents at the end of the period	6,694,312	2,073,233	1,618,008
Cash and cash equivalents include the following items			
Cash and balances with central banks	4,869,682	577	107,076
Loans to credit institutions ²	1,824,630	2,072,656	1,510,932
Cash and cash equivalents	6,694,312	2,073,233	1,618,008

¹Cash flow from operating activities includes interest payments received and interest expenses paid.

²Adjusted for non-cash items in loans to credit institutions such as money in transfer.