

# Klarna Business Update.

January-December 2020



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# We broke the billion dollar mark - USD 1.2 billion revenue.

- 2020 was defined by Covid-19 and its wide-ranging impacts. It has accelerated the structural shift of preference from credit to debit, with e-commerce becoming an increasingly dominant channel for retail.
- 87 million active consumers globally are now choosing Klarna for a healthier, simpler and smarter way to shop, pay and bank every day.
- Globally, the Klarna app now has 18 million monthly active users, and the number of installs has increased 2.4x comparing Q4 '19 to Q4 '20.
- In the US, we reached 14 million consumers by year end, and more than 3.5 million monthly active app users. Our app averaged 60,000 daily downloads in December and was downloaded close to 4 million times more than our nearest competitor in 2020.
- More than 250,000 retailers now trust us to connect them with consumers and work together to deliver incremental sales. We signed more high grossing US retailers - including Sephora, Etsy, Macy's, Foot Locker, Urban Outfitters, Ralph Lauren, Timberland, Saks OFF 5th - than any of our competitors.
- Credit losses as a percentage of total gross merchandise volume decreased across all major markets.
- We have launched our pay later offering in 4 new markets - Australia, Italy, Belgium and Spain. More to follow next year.



# Strong financial growth across the board.

**46%**

Gross merchandise volume  
FY 2020 vs. FY 2019<sup>3</sup>

**USD 53bn<sup>1</sup>** (35)<sup>2</sup>

Gross merchandise volume  
SEK 484bn (332)

**37%**

Revenue  
FY 2020 vs. FY 2019<sup>4</sup>

**USD 1.2bn<sup>1</sup>** (0.8)<sup>2</sup>

Revenue  
SEK 11,030m (8,060)

**29.5%** (28.1)

CET1 ratio - December 2020

The information is presented for Klarna Bank AB (publ).

<sup>1,2</sup> Klarna Bank AB (publ)'s results are reported in SEK. To arrive at USD values, the average exchange rates YTD have been used; 1 USD equals approximately 9.2 SEK for 2020 and 9.5 SEK for 2019.

<sup>3</sup> The % increase in GMV is based on the SEK value between FY 2020 and FY 2019.

<sup>4</sup> The % increase in Revenue is based on the SEK value between FY 2020 and FY 2019.

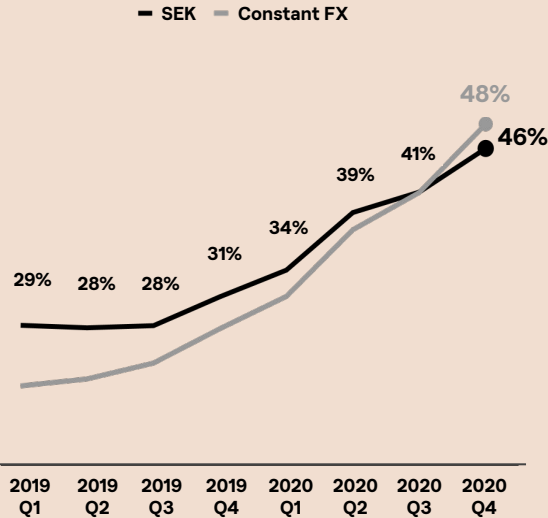
For revenue bridge between management accounts view and statutory view see slide 16.



# Our increasing momentum is powered by the strength and relevance of our product.

## Accelerated growth

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



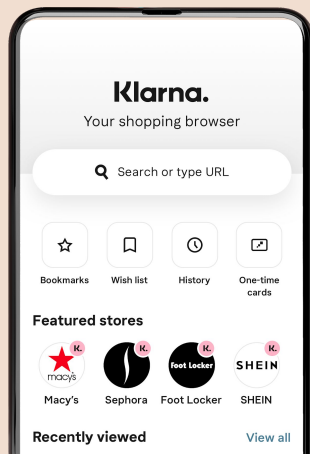
- In 2020 we found new and better ways to ensure that consumers always chose Klarna first and can use Klarna everywhere through our shopping browser, card and In-store capabilities.
- We are building our brand presence in every market, focusing on providing retail partners and consumers with a smooth Klarna experience, resulting in an NPS score of 80 in the US.
- We continue to focus on Klarna being easy to use and easy to keep using. We now offer a one-click experience, digital receipts, images of items bought, shipment tracking, and enhanced customer service and returns.
- We have also provided consumers with useful tools to enhance their shopping experience including saved wishlists and notifications on deals and price-drops.
- We have leveraged our data to offer our consumers what they really want, and our retailers the opportunity to capture their intent.
- These factors have led us to see continuous accelerating growth.

Constant FX calculates the rolling 12 months daily volume weighted average FX to SEK and apply those rates to the comparing period.



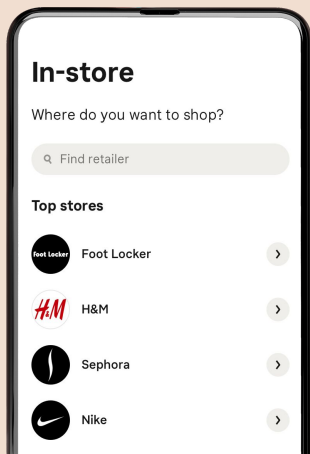
# A one-stop shopping destination.

Our app is at the front and center of our experience.



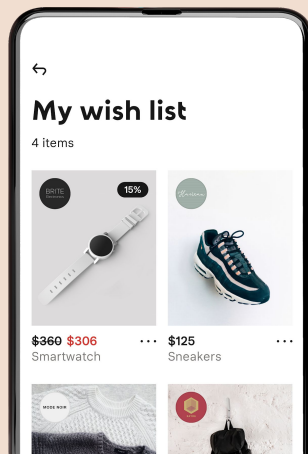
## Shopping browser

Klarna app users can now shop and pay for their purchases at any retailer online through the shopping browser.



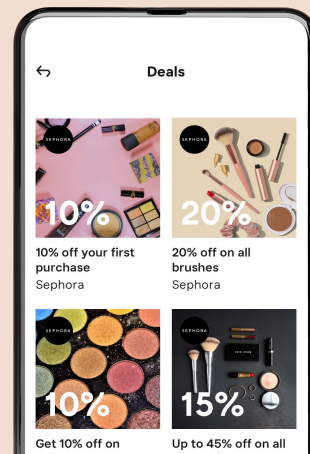
## In-store

Brick-and-mortar customers can make purchases at any physical store while enjoying a seamless, personalized and engaging shopping experience as they would online.



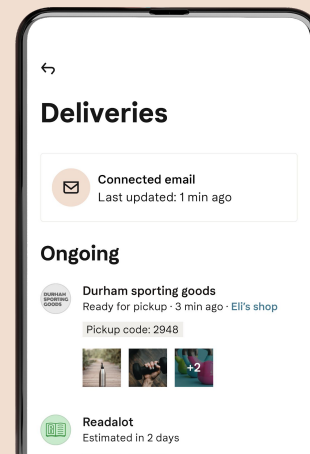
## Wish list

Users can add their favorite items to sharable wishlists and get price drop notifications on any item they pin.



## Deals

The Klarna app gives users access to daily exclusive deals and price drops from around the globe.



## Delivery

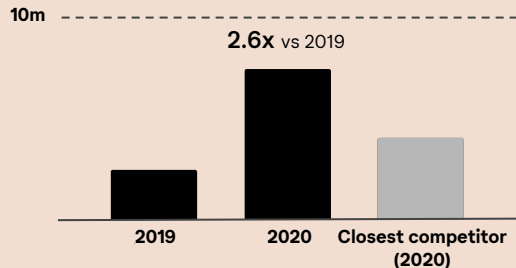
Users get all their delivery information in one place by connecting their email, regardless if they paid with Klarna or not, to help keep track of all their orders.



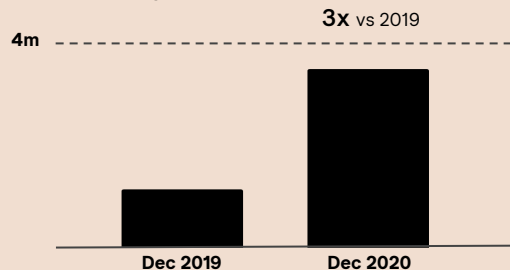
# Klarna app continuing to show strong momentum.

App usage increases as we add more customer-focused enhancements such as price drop notifications, paying with flexible alternatives and delivery tracking.

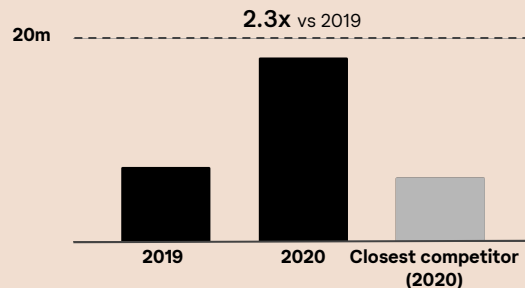
## US app installs



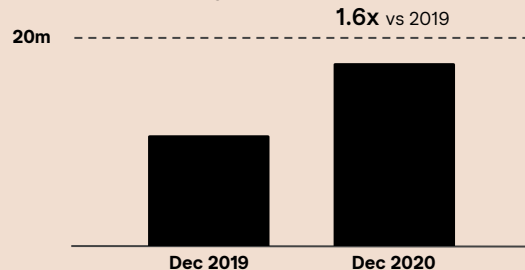
## US monthly active users



## Global app installs



## Global monthly active app users



Klarna was ranked in the **Top 10 most downloaded shopping apps** in US app stores for the entire Q4. Our app was also one of the top five most downloaded apps in the US during Black Friday.

## Q4'20 US Shopping Apps Download Leaders



Source: AppTopia / Semrush

## Black Friday US Online Shopping Apps Download Leaders

1. Amazon
2. Shop
3. SHEIN
4. Klarna
5. OfferUp
6. eBay
7. Wish
8. Etsy
9. Rakuten
10. Afterpay



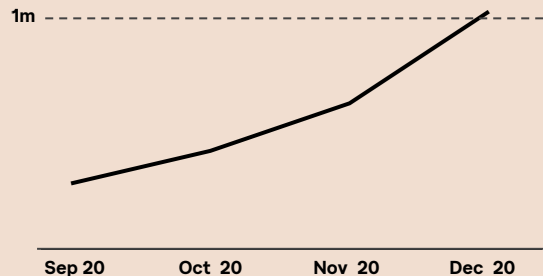
Source: SensorTower. Based on first-time US app installs from Apple's App Store and Google Play for Friday, November 27, 2020

# 1 million active Vibe members.

Our loyalty program which rewards consumers who pay for their goods on time.

## Vibe - Klarna loyalty program

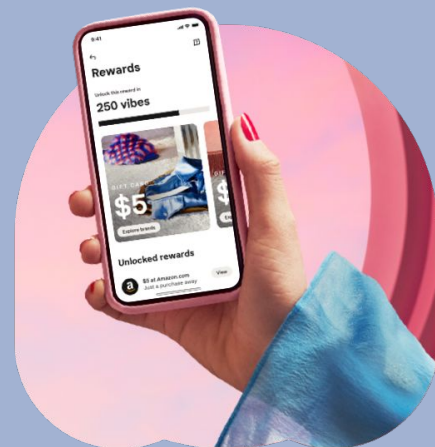
# of vibe users in the US



Launched September 2020 - the first shopper loyalty program globally within our industry.

More than 1 million customers signed and growing.

Currently live in the US and Australia, rolling out in additional markets during 2021.



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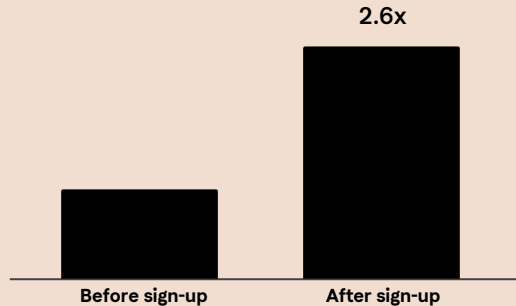
# Klarna Everywhere on one powerful app.

The Klarna Card is part of the “Klarna everywhere” concept - allowing consumers to shop with us anywhere.

The popularity of the Klarna card is evident as Klarna users shift a larger portion of their everyday purchases to Klarna.

The Klarna Card is now live in Sweden and Germany. More markets to follow.

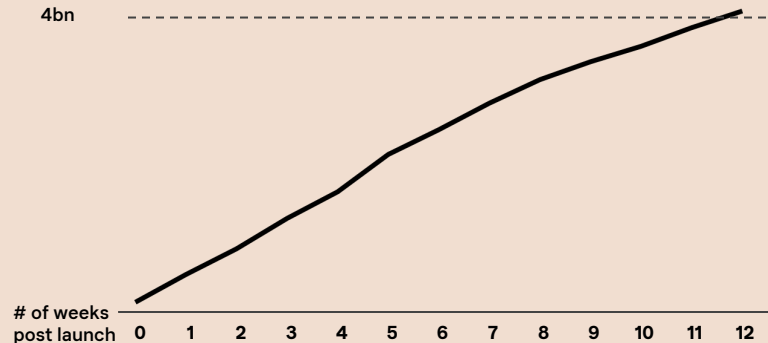
## GMV for users before and after signing up to the Klarna Card, Sweden



Immediate traction for our savings accounts in the first 12 weeks in Sweden, providing competitive consumer rates and expanded banking offering. In February 2021 we also launched current accounts in Germany.

## SEK 4bn saved through our new accounts within 12 weeks

Amount of SEK in deposit account (SE)



The Klarna savings account and the Klarna card are the first step in building an integrated banking experience for our consumers.





# Our customer obsession drives greater engagement and loyalty.

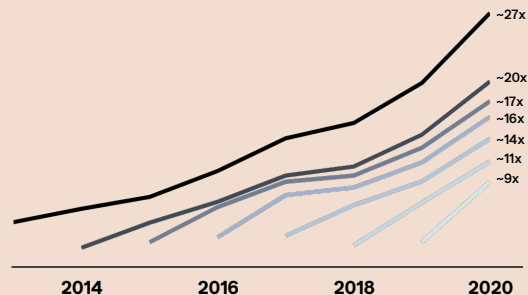
Our considerable effort to improve our customer experience and add more useful features for our consumers is paying off.

In every market, we see that earlier cohorts transact more frequently and the frequency per cohort increases over time.

Our products are clearly resonating with consumers.

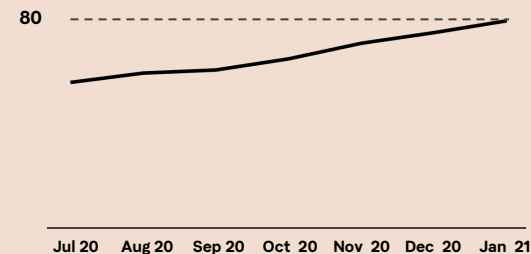
## Sweden, our most mature market, showcases the strength of our offer

Average # of orders by consumer in Sweden



## In the US, our high NPS scores are leading to a fast growing loyal customer base

NPS score

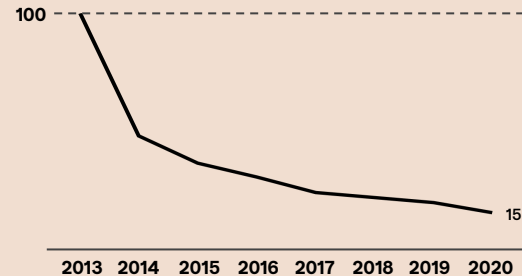


# Leading the industry in putting the consumer first.

## Actively managing down late fees

Driven by the growing app usage adoption as the app helps consumers keep track of their outstanding payments, giving them greater control over their personal finances.

Indexed late fees as share of volume. Late fees are defined as fees that originate from consumers not paying on time.

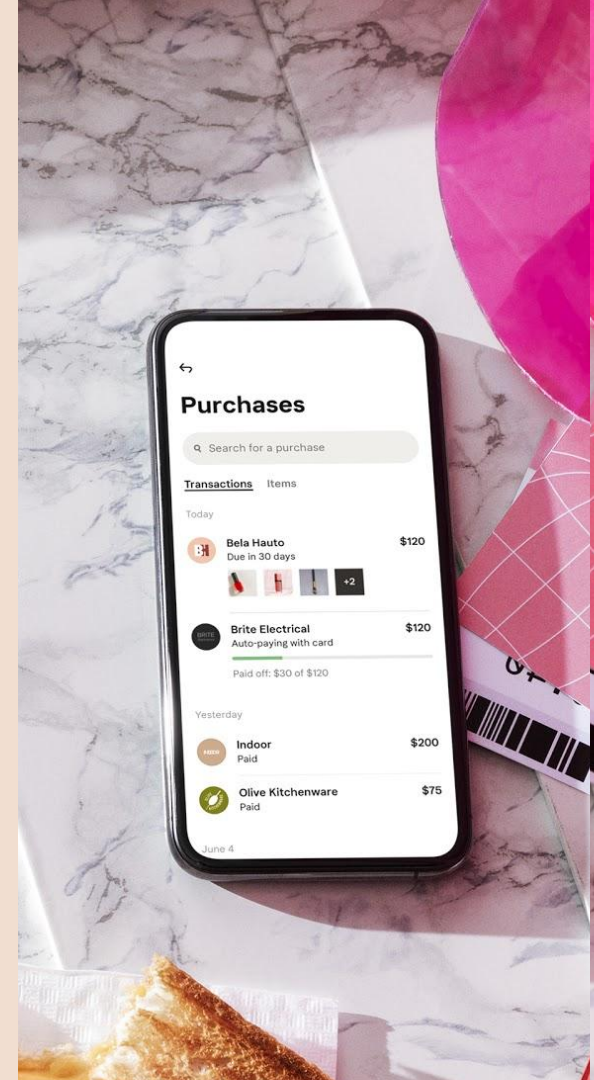


## Launch of the “Never forget test” (SE)

- Part of Klarna’s overall work to actively manage down the share of late fees in relation to total volume.
- Consumers can get reminder fees back by doing the “Never forget test”, which promotes responsible spending and gives tips to consumers on how to pay future invoices on time.

## Nollmissionen (SE) - “Mission zero”

- Our long-term commitment to increase transparency around customer complaints and reduce them to zero to ensure 100% happy customers.
- Halved complaints in 2 years from 40 per one million purchases in 2018 to less than 20 per one million in 2020.
- Mission zero will become global in 2021.

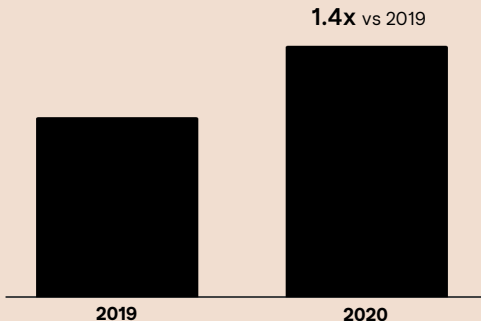


# A preferred growth partner for retailers.

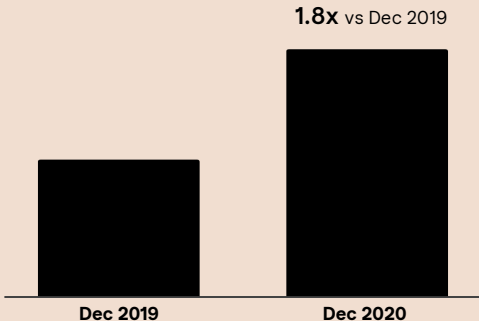
## Active retailers

Growth in number of active retailers<sup>1</sup> during the last twelve months.

### Global



### In-store<sup>2</sup>



Our unique brand offering drives millions of referrals and traffic each month from owned channels to our retailers.

# 22m

US lead referrals during December.

Rapid growth of Klarna's In-store offering.

Global retailers continue to choose Klarna as their preferred payment provider and onboarding has accelerated throughout 2020.

<sup>1</sup> Retailers that have more than one transaction in the past 12 months.

<sup>2</sup> Number of active stores with integrated Klarna In-store solutions at year end.

# The big players are choosing Klarna.

Among the top 100 highest grossing e-commerce retailers in the US, Klarna is the partner of choice.

Number of retailers offering pay later in the Internet Retailer's Top 100 list:

**20**  
**Klarna.**

**12**  
Competitor 1

**5**  
Competitor 2

Data: Digital Commerce 360, 2020

**EXPRESS** Abercrombie & Fitch Co.

A&F | a&f |  | *gilly hicks*

**H&M** ★ **macy's** **ASOS**

**RALPH**  **LAUREN** **CALVIN KLEIN**

**ticketmaster** *Saks Fifth Avenue*

  **SEPHORA**

**TOMMY HILF** **HILFIGER** **Etsy**

**Lenovo** **bloomingdale's**

 **overstock.** **boohoo** **K.**

# Klarna x Sephora.

Sephora wanted to provide new levels of financial flexibility online, in-app and in-store across the US and Canada to help their clients shop more easily for the beauty brands and essentials they love.

**“It’s not just about payments. What’s really cool is that we can now lean on Klarna for client insights and marketing ideas.”**

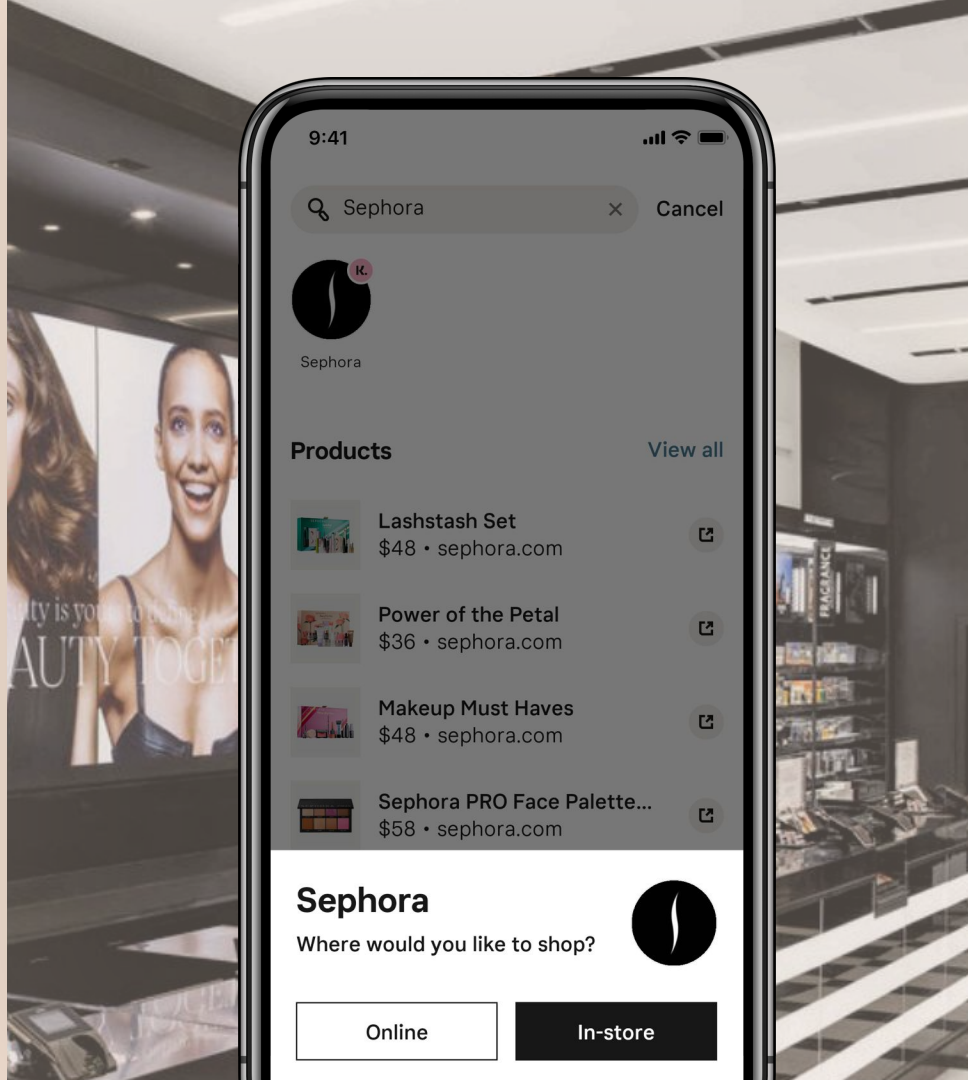
Carolyn Bojanowski, GM of E-commerce at Sephora US

# 65%

increase in average order value in physical stores

# 35%

increase in average order value in Sephora’s webstore



# Strong base of more than 250,000 retail partners.

Fashion

Premium fashion

Shoes & Accessories

Beauty & Cosmetics

Sports & Outdoors

Marketplace, Electronics & Entertainment

ANTHROPOLOGIE

Theory

pandora®

SEPHORA

GYMSHARK 

Etsy

H&M

FARFETCH



 BEAUTY BAY



 NTWRK

EXPRESS

★macys\*



bluemercury®  
makeup • skincare • spa

SurfStitch

AliExpress™

GameStop  
POWER TO THE PLAYERS™

GOOD AMERICAN

Saks Fifth Avenue

Timberland  
FINISH LINE

CharlotteTilbury

 PELOTON®

dyson

SAMSUNG

RIVER ISLAND

RALPH LAUREN 

Dr. Martens

ADOREBEAUTY



Fender®

HIBBETT  
SPORTS

boohoo

CALVIN KLEIN

DANIEL WELLINGTON

BEAUTYCOUNTER®

 lululemon

 LG

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# Financial overview.



# Management to statutory revenue reconciliation.

## Management accounts view

Amounts in SEKm	Jan - Dec 2020
<b>Revenue</b>	<b>11,030</b>
Net financials	-514
Commission expenses	-574
Financial gains and losses & Other	58
<b>Total net operating income</b>	<b>10,000</b>

## Management accounts revenue bridge

## Statutory income statement

Amounts in SEKm	Jan - Dec 2020
Interest income calculated according to the effective interest rate method	3,265
Interest expenses	-601
<b>Net interest income</b>	<b>2,664</b>
Commission income	7,673
Commission expenses	-574
Net result from financial transactions	92
Other operating income	146
<b>Total net operating income</b>	<b>10,000</b>

The information is presented for Klarna Bank AB (publ).

- Klarna Bank AB (publ)'s *Revenue* sets a new record with USD 1.2bn<sup>1</sup> (SEK 11bn). The bridge shows the management accounts breakdown from *Revenue* to the statutory figure for *Total net operating income*.
- We believe *Revenue* is the best indicator for how much value we are sustainably generating from our business. We consider *Net financials* a cost, in-line with our peers. *Commission expenses* is a cost associated with customer acquisition, and *Financial gains and losses & Other* are also considered cost items, with most of it not related directly to our core business.

<sup>1</sup> Klarna Bank AB (publ)'s results are reported in SEK. To arrive at USD values, the average exchange rates YTD have been used; 1 USD equals approximately 9.2 SEK for 2020.



# Income statement.

Amounts in SEKm	Jan-Dec 2020	Jan-Dec 2019
<b>Total net operating income</b>	<b>10,000</b>	<b>7,155</b>
Total operating expenses before credit losses	-9,098	-6,381
<b>Operating profit before credit losses, net</b>	<b>902</b>	<b>774</b>
Credit losses, net	-2,531	-1,863
<i>Credit losses, net (excl. additional reserve)</i>	<i>-2,478</i>	<i>-1,863</i>
<b>Operating profit</b>	<b>-1,629</b>	<b>-1,089</b>
<b>Net profit for the year</b>	<b>-1,376</b>	<b>-902</b>

Numbers may not sum due to rounding.

The information is presented for Klarna Bank AB (publ).

- Merchant revenue (recognized in commission income) increased by 57% as we continued to drive sales for and add value to our partners.
- Interest income grew by 17% YoY to SEK 3,265m, driven by the Financing product in the Nordics and DACH while we see an accelerating consumer demand for our interest free payments offering across all markets.
- Growth in commission income was driven by increased sales volumes and higher consumer activity across all markets but especially in the US and UK market.
- Total net operating income growth of 40% to SEK 10bn, driven primarily by growth in net interest income of 10% and growth in commission income of 47%.
- Total operating expenses before credit losses grew by 43% YoY. 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, UK and continued market expansion.

# Balance sheet.

Amounts in SEKm	31 Dec 2020	30 Jun 2020	31 Dec 2019
<b>Assets</b>			
Cash and balances with central banks	5,014	1,922	107
Treasury bills chargeable at central banks, etc.	5,219	5,301	2,511
Loans to the public	41,718	32,975	29,655
Other current and non-current assets	9,844	8,503	7,595
<b>Total assets</b>	<b>61,795</b>	<b>48,701</b>	<b>39,868</b>
<b>Liabilities</b>			
Liabilities to credit institutions	2,415	2,541	4,940
Deposits from the public	30,835	23,687	12,288
Debt securities in issue	4,183	4,768	5,583
Other current and non-current liabilities	18,038	11,970	11,762
<b>Equity</b>			
Total equity	6,324	5,735	5,295
<b>Total liabilities and equity</b>	<b>61,795</b>	<b>48,701</b>	<b>39,868</b>

The information is presented for Klarna Bank AB (publ).

<sup>1</sup> The effect on equity will be reflected in the annual report for Klarna Holding AB.

- Volume growth contributed to an increase in Loans to the public of 41% YoY to SEK 41,718m (USD 4,535m). Growth has been funded by the increase in Deposits from the public, which are primarily driven by EUR deposits.
- The average duration of our credit portfolio is ~40 days. This means we can steer balance sheet growth and related risk quickly. In the context of the current macro environment, we maintain a reserve of SEK 70m as market conditions remain uncertain in light of Covid-19 and its related effects.
- In September, we raised USD 650m in an equity funding round<sup>1</sup> to fuel our continued growth. 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.

# Cash flow statement.

Amounts in SEKm	Jan-Dec 2020	Jan-Dec 2019
Cash flow from operating activities	7,585	-2,430
Cash flow from investing activities	-471	-1,379
Cash flow from financing activities	-1,551	3,474
Cash flow for the year	5,562	-335
Cash and cash equivalents at the beginning of the period	1,618	1,917
Exchange rate diff. in cash and cash equivalents	-266	35
<b>Cash and cash equivalents at the end of the period</b>	<b>6,914</b>	<b>1,618</b>
<b>Cash and cash equivalents include the following items:</b>		
Cash and balances with central banks	5,014	107
Loans to credit institutions	1,900	1,511
<b>Cash and cash equivalents</b>	<b>6,914</b>	<b>1,618</b>

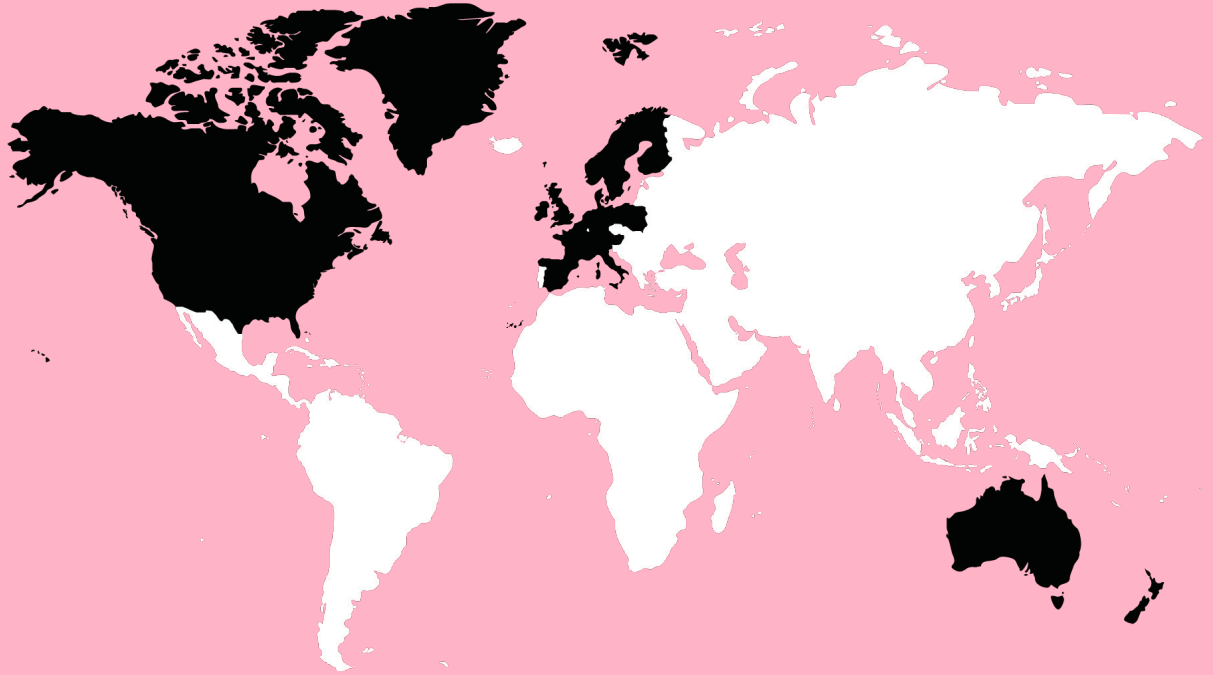
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The information is presented for the Klarna Bank AB (publ).

- Positive cash flow from operating activities, as increased negative operating profit was offset by increased non-cash items (such as provision for credit losses) and positive change in the assets and liabilities of operating activities (such as increase in deposits from the public).
- Decreased negative cash flow from investing activities, as higher investments in intangible and tangible assets were offset by lower investments in business combinations (last year's period includes the acquisition of Close Brothers Retail Finance).
- Negative cash flow from financing activities due to reduced amount of debt securities in issue.

# This is Klarna.

- Founded 2005 in Stockholm.
- Active in 17 core markets on three continents.
- Partners with +250,000 retailers globally.
- More than 87 million active consumers worldwide.
- +57% volume growth and +30% revenue growth (CAGR) during the last seven years.
- Top tier investor base including Sequoia Capital, Permira, Bestseller, Commonwealth Bank of Australia, Silver Lake, Dragoneer, Atomico, Ant Group, Blackrock, H&M and Macy's.



**Klarna.**