

This base prospectus was approved by the Swedish Financial Supervision Authority on 16 October 2018.

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# Klarna®

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**Klarna Bank AB (publ)**

**Base prospectus for Klarna Bank AB:s (publ) Swedish medium term note programme**

**Arranger:**

Nordea

**Dealers:**

Nordea

SEB

Swedbank

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## Important information

In this base prospectus (the “**Base Prospectus**”), the “**Issuer**” means Klarna Bank AB (publ), Swedish Reg. No. 556737-0431 and the “**Group**” means the Issuer with all its subsidiaries from time to time (each a “**Group Company**”). “**Klarna**” means the Issuer and/or the Group, as applicable. “**EUR**” refers to Euro, “**NOK**” refers to Norwegian kroner and “**SEK**” refers to Swedish kronor. “**M**” refers to million(s), “**bn**” refers to billion(s) and “**K**” refers to thousand(s).

Words and expressions defined in the general terms and conditions for medium term notes (the “**General Terms and Conditions**”) beginning on page 20, and, as the case may be, in the final terms, the form of which beginning on page 34 (the “**Final Terms**”) have the same meanings when used in this Base Prospectus, unless expressly stated or otherwise follows from the context.

### Notice to investors

This Base Prospectus has been prepared by the Issuer and contains information about its programme for medium term notes (the “**Programme**”). The Programme has been established by Klarna to constitute a framework under which the Issuer from time to time may issue medium term notes (“**Notes**”) in SEK, EUR and NOK in a minimum Nominal Amount of EUR 100,000 (or the equivalent in any other currency) and with a minimum term of one year. The Issuer has undertaken towards Nordea Bank Abp, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) (the “**Dealers**”) that the total outstanding Nominal Amount of Notes under the Programme shall not exceed SEK 5,000,000,000 (five billion) at any time. Klarna and the Dealers may agree to increase or decrease such amount. This Base Prospectus does not contain and does not constitute an offer or a solicitation to buy or sell Notes.

The Base Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the “**SFSA**”) pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) (the “**Trading Act**”) and is valid for a period of twelve months from the day of approval. Approval and registration by the SFSA do not imply that the SFSA guarantees that the information provided in the Base Prospectus is correct and complete.

This Base Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Base Prospectus.

This Base Prospectus may not be distributed in any jurisdiction where such distribution would require any additional prospectus, registration or measures other than those required under Swedish or, following a formal passporting of this Base Prospectus into Norway, Norwegian law, or otherwise would conflict with regulations in such jurisdiction. Persons into whose possession this Base Prospectus may come are required to inform themselves about, and comply with such restrictions. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. Subject to certain exemptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) or the securities laws of any state or other jurisdiction outside Sweden or, following a formal passporting of this Base Prospectus, Norway.

No person has been authorised to provide any information or make any statements other than those contained in this Base Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorised or approved by the Issuer and the Issuer assumes no responsibility for such information or statements. Neither the publication of this Base Prospectus nor the offering, sale or delivery of any Note implies that the information in this Base Prospectus is correct and current as at any date other than the date of this Base Prospectus or that there have not been any changes in the Issuer’s or the Group’s business since the date of this Base Prospectus.

### MiFID II Product Governance

In respect of each issue of Notes, each Issuing House (as defined in the General Terms and Conditions) will undertake a target market assessment in respect of such Notes and determine the appropriate channels for distribution for such Notes. Any person subsequently offering, selling or recommending such Notes (a “**distributor**”) should take into consideration the target market assessment. However, a distributor subject to Directive 2014/65/EU (“**MiFID II**”) is responsible for undertaking its own target market assessment in respect of such Notes (either by adopting or refining the target market assessment) and determining the appropriate distribution channels. For the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), a determination will be made in relation to each issue as to whether any Issuing House participating in the issue of Notes is a manufacturer in respect of such Notes. Neither the Arranger nor the Dealers nor any of their respective affiliates that do not participate in an issue will be a manufacturer for the purpose of the MiFID Product Governance Rules.

### Forward-looking statements and market data

The Base Prospectus contains certain forward-looking statements that reflect the Issuer’s current views or expectations with respect to future events and financial and operational performance. The words “intend”, “estimate”, “expect”, “may”, “plan”, “anticipate” or similar expressions regarding indications or forecasts of future developments or trends, which are not statements based on historical facts, constitute forward-looking information. Although the Issuer believes that these statements are based on reasonable assumptions and expectations, the Issuer cannot give any assurances that such statements will materialise. Because these forward-looking statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statement.

Factors that could cause the Issuer’s and the Group’s actual operations, result or performance to differ from the forward-looking statements include, but are not limited to, those described in the section “*Risk factors*”. The forward-looking statements included in this Base Prospectus apply only to the date of the Base Prospectus. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Any subsequent forward-looking information that can be ascribed to the Issuer and the Group or persons acting on the Issuer’s behalf is subject to the reservations in or referred to in this section.

The Base Prospectus contains market data and industry forecasts, including information related to the sizes of the markets in which the Group participates. The information has been extracted from a number of sources. Although the Issuer regards these sources as reliable, the information contained in them has not been independently verified and therefore it cannot be guaranteed that this information is accurate and complete. However, as far as the Issuer is aware and can assure by comparison with other information made public by these sources, no information has been omitted in such a way as to render the information reproduced incorrect or misleading. In addition to the above, certain data in the Base Prospectus is also derived from estimates made by the Issuer.

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## **RISK FACTORS**

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*All investments in notes involve a degree of risk. The financial performance of Klarna and the risks associated with Klarna's business are important when making a decision on whether to invest in Notes. A number of factors influence and could influence Klarna's operations and financial performance and ultimately the Issuer's ability to make payments under Notes. In this section, a number of risk factors are illustrated and discussed, both risks pertaining to Klarna's operations and risks related to Notes. The risk factors below are not ranked in any specific order of importance and no claim is being made that the list is exhaustive.*

*Potential investors should carefully consider the risk factors below, the Conditions, all other information in the Base Prospectus and other available information before deciding on making an investment in Notes. Investors must, in addition, alone or together with financial and/or other advisers, consider the general business prospects, and general information about the relevant market and companies active on that market, based on their personal circumstances. An investor should possess sufficient knowledge to assess the risk factors and sufficient financial strength to bear those risks.*

*Additional risk factors that are not currently known or not currently considered to be material may affect the Issuer's business, financial condition and results of operations and consequently the Issuer's ability to meet its obligations under the Notes.*

## **RISKS RELATING TO THE ISSUER**

### **Market risks**

#### **Competition in the financial services industry**

Klarna operates in the payments landscape. As a part of that business Klarna offers retailers point of sale financing options through a single API product known as Klarna Payments plus a full checkout management solution and end-consumers direct payment solutions and point of sale credit. The markets in which Klarna operates are characterized by a high degree of competition and fragmentation and the strong demand growth in these markets for the products that Klarna offers has led to increased competition. Since Klarna has a limited financial services product offering it faces the risk that competitors offering a broad range of products and services may gain a competitive advantage. There is a risk that this will have a material adverse effect on the Issuer's business, financial condition and results of operations.

Further, Klarna's business model is focused on efficient data management, statistical analysis, a test and learn approach and quantitative decision making. As a result, Klarna's business model is well suited for countries where highly relevant data is available for customer targeting and conducting credit assessments and with effective legal debt collection systems and a culture that promotes repayment. If Klarna were to no longer be able to offer credits as it currently does, or at all, Klarna may be required to change its business model or may be required to restrict or cease its operations. Any of the above can, accordingly, have a material adverse effect on the Issuer's business, financial condition and results of operations.

#### **Risk relating to the current macroeconomic environment**

As Klarna's product offering is connected to general consumption, there is a risk that the demand for Klarna's products will be adversely affected by changes in consumer trends, levels of consumption, demographic patterns, customer preference and financial conditions, all of which are affected by general macroeconomic conditions in the markets in which Klarna operates. Since Klarna's business is dependent upon the transaction volume of shoppers choosing Klarna's payment solution as their preferred payment method, a reduced consumer confidence, willingness to spend or a general deterioration of the macroeconomic environment in Klarna's geographical markets may decrease demand for Klarna's products. Further, high levels of unemployment in the markets in which Klarna operates may reduce its customers' ability to repay their credit loans, or for any new customers' willingness to spend money on shopping, which may decrease the demand for Klarna's products. Any slowdown or deterioration of macroeconomic conditions in any of the countries in which Klarna operates can adversely affect consumers' willingness or ability to consume and the demand for Klarna's products, which may ultimately adversely affect the Issuer's business, financial condition and results of operations.

In addition, Klarna's business is affected by the number of retailers that are willing to offer Klarna's products to its online shopping customers. Klarna's business is therefore dependent upon its ability to keep its existing business relationship with retailers, and on the ability to attract new ones.

## **Credit risks and risk relating to counterparties**

Credit risk is the potential risk of financial loss arising from the failure of a counterparty to fulfil its financial obligations as they fall due (and such loss is not covered by any collateral). Klarna is subject to such credit risk primarily from defaulting or fraudulent end-consumers using Klarna's payment services for their shopping, but also to some extent from defaulting merchants as well as financial institutions with which Klarna co-operates. When Klarna expands into new markets, the aforementioned risks may be especially high since the credit and fraud models lack historical data when entering a new market. Credit risk also includes concentration risk, i.e. the risk relating to large exposures to a group of inter-linked customers. In addition, Klarna is exposed to risks associated with deterioration in the credit quality of its customers which can be driven by, for example, socio-economic or customer-specific factors linked to economic performance.

In addition, Klarna uses a self-developed valuation model for the credit assessment of its customers and collects certain data in pursuance thereof. Due to, among other things, the different regulations in the countries where Klarna operates and the accessibility to credit checks and local differences in customer behaviour, the valuation models Klarna uses tend to be different in every country. Klarna has undertaken extensive research to predict future potential impairments and credit losses on which the valuation models are based, but there is a risk that these estimates prove to be inaccurate. An increase in the level of credit losses will have an adverse impact on the Issuer's business, financial condition and results of operations.

## **Operational risks**

### **Operational risk**

As any company, Klarna is exposed to operational risks related to inadequate or failed internal processes, to people and systems, as well as to external events.

Klarna's business depends on its ability to process a large number of transactions efficiently and accurately. The interruption or failure of Klarna's information technology can impair Klarna's ability to provide services effectively causing direct financial loss and may compromise its strategic initiatives. Technology failure or underperformance can also increase Klarna's litigation and regulatory exposure or require it to incur higher administrative costs (including remediation costs). Further, an irrecoverable loss of any customer database would be expensive and time-consuming to endeavor to retrieve or recreate and would have a material adverse effect on Klarna's business, financial condition and results of operations.

Operating in a changing environment means that Klarna takes on risks related to its business model and strategy. Should Klarna expand into new markets, operational risks related to, among other things, the setup of new processes and employing new staff may entail challenges to Klarna's business, and may increase its exposure to operational risk. Klarna's ability to develop business intelligence systems, to monitor and manage collections, to maintain financial and operating controls, to monitor and manage its risk exposures across Klarna, to provide high-quality customer service and to develop and sell profitable products and services in the future depends on the success of its continuous management of related operational risks.

Klarna may also be dependent on existing key executives and staff in order to sustain, develop and grow its business and there is a risk that these employees will not remain with Klarna. The loss of key personnel or of a substantial number of talented employees or an inability to attract, retain and motivate the caliber of employees required for the continuation of, and the expansion of, the Klarna's activities, can lead to disruptions and errors in manual and semi manual processes as well as external and internal fraud.

Klarna has operational risk management processes in place, but the processes can prove to be not adequate at all times. There is hence a risk that issues related to operational risk will have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **Reliance on third parties**

Klarna's business relies on certain service and business process outsourcing and other partners. For example, Klarna has outsourced its deposit taking business in Sweden and Germany to third party providers and is dependent on partnering with a third party bank to originate consumer loans for the provision of regulated credit in the US market. For Klarna's product offering, significant suppliers include Nordea Bank Abp for provision of Bank ID and Autogiro services. Some of Klarna's critical business systems are dependent on third party software and infrastructure, such as Klarna's business transaction platform which is supported by third party software. Klarna has also outsourced other functions such as internal auditing, IT-infrastructure and certain parts of its customer service. Certain IP-rights, such as software licences and similar related systems, are used by Klarna to operate and its business is dependent on the continued access to such IP-rights.

While alternative business outsourcing and other partners are available, it can be difficult for Klarna to replace these relationships on commercially reasonable terms, or at all, and seeking alternate relationships could be time consuming and result in interruptions to Klarna's business. Klarna's use of business outsourcing partners also exposes Klarna to reputational risks. The failure of Klarna's third-party providers to perform their services to Klarna's standards and any deterioration in or loss of any key relationships can have a material adverse effect on the Issuer's business, financial condition and results of operations.

Furthermore, Klarna's business outsourcing partners and other third parties could commit fraud with respect to the services that Klarna outsources to them, fail to comply with applicable laws and regulations, such as data protection requirements, or fail to otherwise provide their agreed services to Klarna. To the extent these third parties violate laws, other regulatory requirements or their contractual obligations to Klarna, or otherwise act inappropriately in the conduct of their business, Klarna's business and reputation can be negatively affected or penalties could be directly imposed on Klarna. Furthermore, there is a risk that Klarna's methods and procedures for overseeing how outsourcing partners and other third parties operate their businesses may not detect the occurrence of any violations for a substantial period of time, which could exacerbate the effect of such violations. Any of the above can have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **Reputational risk**

Reputational risk is the risk that an event or circumstance could adversely impact Klarna's reputation among customers, owners, employees, authorities and other parties resulting in reduced income. This is primarily related to consumer expectations regarding the delivery of Klarna's services, and the ability to meet regulatory and consumer protection obligations related to these services. Effects on Klarna's reputation may originate from internal factors but also from external partners, suppliers, merchants or even competitors. Reputational risk can be substantially damaging to Klarna's operations based on a well-established brand, and if such risk materialises it can materially adversely affect the Issuer's business, financial condition and results of operations.

## **Finance risks**

### **Liquidity and funding risks**

The Issuer is exposed to liquidity and funding risk, meaning the risk of Klarna not being able to fund increase in lending assets and meet obligations when they become due, without incurring increased cost. The risk arises when there is a negative difference in the duration of liabilities and assets, or if there is insufficient funding to finance Klarna's expansion.

The Issuer is also subject to liquidity requirements in its capacity as a credit institution supervised by the SFSA, including a statutory requirement to maintain sufficient liquidity to enable it to discharge its obligations as they fall due. The SFSA has issued regulations on liquidity (including FFS 2010:7). Serious or systematic deviations from such regulations may lead to the SFSA determining that the Issuer's business does not satisfy the statutory soundness requirement for credit institutions and could result in the SFSA imposing sanctions against the Issuer.

If access to funding were constrained for a prolonged period of time, competition for retail deposits and the general cost of funding could increase. This would increase Klarna's cost of funding and, therefore, have a material adverse effect on Klarna's access to funding and net interest margin. Funding risks can be exacerbated by enterprise-specific factors, such as over-reliance on a particular source of funding or changes in credit ratings, or by market-wide phenomena, such as market dislocation or a major disaster. There is also a risk that the funding structure employed by Klarna can prove to be inefficient if its funding levels significantly exceed its funding needs, giving rise to increased funding costs that may not be sustainable in the long term. Klarna's ability to access funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors that are outside of its control. Any of the above can have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **Interest rate risk**

Changes in interest rate levels, yield curves and spreads could affect Klarna's lending and deposit spreads. Klarna is mainly exposed to changes in the spread between the interest rates payable by it on deposits or its funding costs, and the interest rates that it charges on to its customers. For the regulatory reasons explained above (see the risk factor "*Liquidity and funding risks*" above), Klarna also holds a liquidity portfolio which exposes Klarna to interest rate risks. While the interest rates payable by Klarna on deposits and other funding and the interest rates that it charges on loans to customers as well as substantially all interest rates applicable to its other assets are variable, there is a risk that Klarna will not be able to re-price its variable rate assets and

liabilities at the same time, giving rise to re-pricing gaps in the short or medium term. Such delays in re-pricing loans given to its customer can, *inter alia*, occur due to Klarna having an obligation to notify customers in advance of increases in interest rates. Changes in the competitive environment could also affect spreads on Klarna's lending and deposits.

Significant changes or volatility in the interest rates could have a material adverse impact on Klarna's business, financial condition or results of operations. Any of the above can have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **Currency risk**

Klarna's has operations in various currencies, notably SEK, NOK, EUR, DKK, USD and GBP. As a result, Klarna generates revenues in several different currencies. However, Klarna's reporting currency is SEK and it is as a consequence exposed to currency risk to the extent that its assets, liabilities, revenues and expenses are denominated in currencies other than SEK. Any expansion outside the SEK currency may increase the currency risk. The Issuer is exposed to translation and transaction risk. Transaction risk is the exchange rate risk associated with the time delay between entering into a contract and settling it while translation risk arise with the revaluation of earnings, shareholders' equity, and receivables of foreign subsidiaries related to the consolidation of the group accounts. There is hence a risk that currency fluctuations will affect the amount of these items in the Issuer's consolidated financial statements, even if their value has not changed in the original currency. Any of the above can have a material adverse effect on the Issuer's business, financial condition and results of operations.

## **Regulatory risks**

### **Risks relating to regulatory requirements and regulatory changes**

Klarna's operations are subject to legislation, regulations, codes of conduct and government policies and general recommendations in the jurisdictions in which it operates and in relation to the products it markets and sells. As a Swedish bank, the Issuer is subject to supervision by the SFSA with regard to, among other things, solvency and capital adequacy, including solvency ratios and liquidity rules as well as rules on internal governance and control. In addition, as for any provider of financial services to consumers, Klarna's offering is occasionally reviewed by consumer authorities.

In addition, the Swedish Consumer Agency (*Konsumentverket*) safeguards the interests of consumers in Sweden and monitors consumer interests within the EU. As a result of conducting operations on a cross-border basis in various countries, consumer agencies and councils in these countries have jurisdiction over many aspects of Klarna's business, including marketing and selling practices, advertising, general terms of business and legal debt collection operations. Klarna is also subject to EU regulations with direct applicability and EU directives that are implemented through local legislation. Failure to comply with applicable laws and regulations can subject Klarna to monetary fines and other penalties, which can have a material adverse effect on Klarna's reputation, business, financial condition and results of operations. Ultimately, the Issuer's banking licence can be revoked and the Issuer can be required to discontinue its business operations. Since Klarna expects to expand in both EEA and non-EEA markets, the distinctions in consumer protection and regulatory requirements may pose new challenges for Klarna's business. Further, there is regulatory uncertainty due to politically sensitive events such as the recent change of administration in the United States and the United Kingdom voting in favour of leaving the EU.

Many initiatives for regulatory changes have been taken in the past and the impact of such initiatives is, to some extent, difficult to predict in full. Therefore, for example, financial services laws; capital, liquidity and solvency laws; marketing laws; consumer protection laws; data protection laws; laws related to deposits (including the Swedish deposit insurance scheme); the laws related to enforcement; laws and regulations related to or affecting interest; laws and regulations on internal governance and control; laws and regulations of remuneration; codes of conduct; government policies and general recommendations; and their respective interpretations currently affecting Klarna can change, and Klarna is unable to predict what regulatory changes can be imposed in the future as a result of regulatory initiatives in the EU, by the SFSA or by other authorities and agencies. Such changes can have a material adverse effect on, among other things, Klarna's product range and activities; the sales and pricing of Klarna's products; and Klarna's profitability, solvency and capital requirements, and can give rise to increased costs of compliance. If Klarna is required to make additional provisions or increase its reserves as a result of potential regulatory changes, this could have a material adverse effect on Klarna's results of operations. While Klarna has certain processes in place to monitor the enactment of new laws and regulations, and to ensure compliance, there is a risk that the measures that Klarna takes will not be adequate. In addition,

Klarna can misunderstand or misapply new or amended laws, especially due to the increasing quantity and complexity of legislation, which could lead to adverse consequences for Klarna. Klarna incurs, and expects to continue to incur, significant costs and expenditures, to comply with the increasingly complex regulatory environment.

In addition, as a foreign financial institution (as defined in FATCA) resident in Sweden, Klarna must provide certain information on U.S. account holders to the Swedish tax authorities. Information on U.S. account holders will be automatically shared with the U.S. Internal Revenue Service (the “IRS”). Non-compliant foreign financial institutions will be subject to withholding tax on certain U.S.-source payments made to them. Investors should be aware that if any withholding tax is actualised, neither the Issuer, Euroclear Sweden nor any other person, is obligated under the General Terms and Conditions to compensate the investor for the tax that is being withheld.

The failure of Klarna to effectively manage these legal and regulatory risks can have a material adverse effect on the Issuer’s business, financial condition and results of operations.

### **Risks relating to Klarna’s banking license**

The Swedish Banking and Financing Business Act (*lag (2004:297) om bank- och finansieringsrörelse*) (the “BFBA”) requires all banking companies to operate under a licence granted by the SFSA. On 19 June 2017, the Issuer was granted a banking licence by the SFSA. The Issuer’s banking licence has an indefinite duration, but is subject to revocation by the SFSA. Pursuant to the BFBA, the SFSA must intervene if the Issuer violates its obligations under the BFBA, other applicable regulations, its articles of association or internal governing documents that are based on laws and regulations governing the Issuer’s operations as a bank. The SFSA may then issue an order to limit or reduce the risks of the operations in some respect, restrict or prohibit payment of dividends or interest or take other measures to rectify the situation, issue injunctions or remarks. In case of material violations, the SFSA can, as an ultimate measure, revoke the Issuer’s banking licence, following which the SFSA may determine the manner in which the business will be wound up. A decision regarding revocation of licence can be combined with an injunction against continuing the operations. If deemed sufficient, taking into consideration, among other things, the nature, gravity, duration and potential effects on the financial system of the violation, the SFSA can, instead of revoking the Issuer’s banking licence, issue a warning. Remarks and warnings may be combined with monetary fines (up to ten per cent. of the annual turnover or two times the cost avoided or profit realized from the violation, where such amount can be ascertained). If the Issuer were subject to material sanctions, remarks or warnings and/or fines imposed by the SFSA, this would cause significant, and potentially irreparable, damage to the reputation of Klarna and, as a result, the Issuer’s business, financial position and results of operations can be materially adversely affected. The Issuer’s operations are contingent upon the banking licence issued by the SFSA. The loss or suspension of the licence will require the Issuer to cease its banking operations which could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

### **EU General Data Protection Regulation**

The EU has adopted a new general data protection regulation 2016/679/EU (“GDPR”), which entered into force on 24 May 2016 and applies since 25 May 2018. The main objectives of the GDPR are to harmonise EU laws on personal data and facilitate the flows of data across EU, as well as to ensure that personal data enjoys a high standard of protection everywhere in the EU.

The GDPR includes new requirements for the handling of personal data. Failure to comply with the GDPR can subject Klarna to substantial monetary fines which could have a material adverse effect on Klarna’s business, financial condition and results of operation.

### **Regulatory capital requirements**

Since the beginning of the global financial crisis in 2008 and the increased loan losses and asset quality impairment suffered by financial institutions as a result thereof, governments in some European countries (including Sweden) have increased, or have announced that they are likely to increase, the minimum capital requirements for credit institutions domiciled in these countries over and above the increased capital requirements of Basel III and the CRD IV discussed below.

On 16 December 2010, the Basel Committee on Banking Supervision (the “Basel Committee”) published its final guidelines for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions and on 13 January 2011, it published the minimum requirements for regulatory capital to ensure loss absorbency at the point of non-viability (the “Basel III

**Framework**”). The aim of the framework is to improve the ability of credit institutions to absorb shocks arising from financial and economic stress, improve risk management and governance and strengthen credit institutions’ transparency and disclosures. The framework raises both the quality and quantity of the capital base and increases capital requirements for certain positions. There will also be buffer requirements in the form of both a capital conservation buffer, a countercyclical capital buffer and additional capital buffers for systemic importance, which may be on a global, European or domestic basis. The regulatory framework will continue to evolve and any resulting changes could have a material impact on the Issuer’s business.

Following the Basel III Framework, the European Commission published on 20 July 2011 the corresponding proposed changes at the EU level in the form of (i) a directly applicable European Parliament and Council Regulation establishing the prudential requirements for credit institutions and investment firms (known as the Capital Requirements Regulation (Regulation (EU) 575/2013) or “**CRR**”) and (ii) a European Council Directive (through an amendment of Directive 2002/87/EC) governing access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (known as “**CRD IV**”). The CRR has been directly effective in Sweden since 1 January 2014, while CRD IV was implemented in Sweden on 2 August 2014 by amendments to existing Swedish legislation, new Swedish legislation and regulations of the SFSA. CRR and CRD IV are both to be supported by a set of binding technical standards currently being developed by the European Banking Authority (the “**EBA**”). The above-mentioned EU regulatory framework is broadly in line with the Basel III Framework capital and liquidity standards, however certain issues continue to remain under discussion and certain details remain to be clarified.

The changes to the capital adequacy framework include, *inter alia*, stricter minimum capital requirements for the components in the capital base with the highest quality: common equity tier 1 (“**CET1**”) capital must be at least 4.5 per cent. of risk weighted assets at all times and tier 1 capital 6.0 per cent. The minimum total capital (or ‘own funds’) requirement (tier 1 capital plus tier 2 capital) is 8.0 per cent. of risk exposure amount. In addition to the minimum capital requirements, CRD IV introduces further capital buffer requirements that are required to be satisfied with CET1 capital. Certain buffers may be applicable to the Issuer as determined by the SFSA. A breach of the combined buffer requirements will result in restrictions on certain capital distributions from the Issuer, for example, dividend and coupon payments on CET1 and tier 1 capital instruments. However, the Issuer is currently not considered a systemically important institution and is thus not subject to the buffer requirement for systemically important institutions. The Issuer is also not subject to the systemic risk buffer requirements. There can, however, be no assurance that the Issuer will not be designated a systemically important institution or subject to systemic risk buffer requirements in the future.

CRR and CRD IV permit a transitional period for certain of the enhanced capital requirements and certain other measures. However, the Swedish authorities have, where possible, implemented higher capital requirements than those set out in CRR and CRD IV without any phasing-in period.

In connection with the on-going tightening of capital requirements for Swedish financial institutions, on 8 September 2014, the SFSA published its regulation in relation to countercyclical capital buffers (FFFS 2014:33). The buffer is a capital requirement which varies over time and is to be used to support credit supply in adverse market conditions. The countercyclical capital buffer for Sweden was increased to 2 per cent. as of 19 March 2017. Such an increase and any other changes in the risk weighting of assets may cause reductions in the capital adequacy ratios and solvency levels of the Issuer and/or cause the applicable minimum capital requirements to increase.

In December 2017, the Basel Committee published complements to the Basel III Framework in order to complete it. The complements, often called Basel IV, entail substantial changes and are proposed to enter into force on 1 January 2022 with a phasing-in period of five years. The proposed changes need to be implemented at EU level to become applicable in Sweden. In May 2018, the Council published a compromise proposal concerning a draft Regulation amending the CRR. The proposal entails substantial changes but is subject to further review by the European Parliament.

The SFSA has decided to amend its regulation in relation to countercyclical capital buffers (FFFS 2014:33) so that the countercyclical capital buffer will be increased to 2.5 per cent. on 19 September 2019. Such an increase and any other changes in the risk weighting of assets may cause reductions in the capital adequacy ratios and solvency levels of the Issuer and/or cause the applicable minimum capital requirements to increase.

Furthermore, the conditions of the Issuer’s business as well as external conditions are constantly changing. For the foregoing reasons, the Issuer and/or its consolidated situation can be required to raise regulatory capital in addition to the already existing and such changes could result in the Issuer’s and/or the Group’s existing regulatory capital ceasing to count either at the same level as present or at all. Any failure by the Issuer and/or

the Group to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators can result in intervention by regulators or the imposition of sanctions, which can have a material adverse effect on the Issuer's profitability and results and can also have other effects on the Issuer's financial performance and on the pricing of Notes, both with or without the intervention by regulators or the imposition of sanctions. Any market perception or concern regarding compliance with future capital adequacy requirements, can increase the Issuer's and Klarna's borrowing costs and limit its access to capital markets, which can have a material adverse effect on results of operation, financial condition and liquidity.

### **The Recovery and Resolution Directive**

The EU Directive 2014/59/EU, known as the Bank Recovery and Resolution Directive ("**BRRD**"), supplements the CRR and CRD IV legislative package. Each member state had until 1 January 2015 to transpose the BRRD into national law, other than the bail-in provisions (as contained in Section 5 of Chapter IV of Title IV) for which the implementation deadline was 1 January 2016. The purpose of the BRRD is to harmonise national rules on bank recovery and resolution, providing authorities with common tools and powers to address banking crises proactively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The BRRD establishes a framework for the recovery and resolution of credit institutions and, *inter alia*, requires EU credit institutions to produce and maintain recovery plans setting out the arrangements that may be taken to restore the long-term viability of the institution in the event of a material deterioration of its financial position. National resolution authorities (the National Debt Office (*Riksgälden*) for Sweden), in consultation with competent authorities (the SFSA for Sweden), is required to prepare resolution plans setting out how a firm might be resolved in an orderly fashion and its essential functions preserved, if it were to fail. This includes the potential application of the resolution tools and powers referred to below as well as options for ensuring the continuity of critical functions.

The BRRD contains a number of resolution tools and powers intended to ensure that resolution authorities across the EU have a harmonised toolkit to manage firms' failure provided that the resolution conditions are satisfied. These tools and powers may be used alone or in combination and include the following: (i) a sale of business tool - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) a bridge institution tool - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) an asset separation tool - which enables resolution authorities to transfer impaired or problem assets to one or more publically owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down; and (iv) a general bail-in tool - which gives resolution authorities the power to write-down all or a portion of the principal amount of, or interest on, certain other eligible liabilities (which could include Notes), whether subordinated or unsubordinated, of a firm in resolution and/or to convert certain unsecured debt claims (which could also include Notes) into another security, including CET1 instruments of the surviving entity, which equity could also be subject to any further application of the general bail-in tool. This means that most of such failing firm's debt could be subject to bail-in, except for certain classes of debt, such as deposits and secured liabilities.

One of the key principles in the BRRD is that the shareholders of a failing firm must bear the first losses in case of a failure. Prior to taking any resolution action that would result in losses for the creditors of the failing firm, the authorities must therefore impose losses on the shareholders by cancelling or severely diluting their shares. Article 48 of the BRRD establishes the sequence in which resolution authorities should apply the general bail-in tool: in general, shareholders' claims should be exhausted before those of subordinated creditors and only when those claims are exhausted can resolution authorities impose losses on senior claims (such as Notes).

The BRRD also provides for a member state as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

A resolution authority (the National Debt Office (*Riksgälden*) for Sweden) will only be permitted to use resolution powers and tools in relation to a firm if it determines that all the conditions for resolution are satisfied. These conditions are (a) the determination (which in Sweden will be determined by the SFSA) that the institution is failing or likely to fail (the "**failure condition**"); (b) there is no reasonable prospect that any solution, other than a resolution action taken in respect of the firm, would prevent the failure of the firm within a reasonable timeframe (the "**no alternative condition**"); and (c) intervention through resolution action is necessary in the public interest (the "**public interest condition**").

The powers set out in the BRRD will impact how firms are managed as well as, in certain circumstances, the rights of creditors. Holders of debt instruments (such as Notes) may be subject to write-down or conversion into equity on any application of the general bail-in tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. The general bail-in tool can be used to recapitalise a firm that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The write-down and conversion power can be used either together with, or also, independently of, a resolution action. Other powers provided to resolution authorities under the BRRD in respect of debt instruments (which could include Notes) include replacing or substituting the firm as obligor in respect of such debt instruments; modifying the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), and/or discontinuing the admission to trading of debt instruments. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of the Noteholders, the price or value of Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Going forward, the BRRD has an impact on how large a capital buffer a firm will need, in addition to those set out in CRR and CRD IV. To ensure that firms always have sufficient loss-absorbing capacity, the BRRD requires firms to maintain at all times a sufficient aggregate amount of own funds (as defined in Article 4(1)(118) of the CRR) and “eligible liabilities” (namely, liabilities and other instruments that do not qualify as tier 1 or tier 2 capital and that may be bailed-in using the bail-in tool). This is known as the minimum requirement for eligible liabilities (“MREL”). See “*EBA regulatory technical standards (RTS) on criteria for determining the minimum requirement for own funds and eligible liabilities under the BRRD*” below for further information regarding the determination of an institution’s MREL under the BRRD. Eligible liabilities may be senior or subordinated, provided they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law or through contractual provisions.

In November 2016, the European Commission proposed changes to the BRRD with a focus on the implementation of total loss absorbing capacity (“TLAC”) into EU legislation and the integration of the TLAC requirement with MREL rules to avoid duplication. While the TLAC requirement is proposed to be applicable only to global systemically important banks (and hence not to the Issuer), the Issuer expects that the MREL implementation by the National Debt Office will need to be amended in line with the final outcome of the proposed changes to the BRRD.

On 23 February 2017, the National Debt Office presented the finalised model for the calculation of MREL, stating that systemically important institutions need to replace a portion of their existing bond holdings with subordinated bonds. Institutions which are not deemed as systemically important will not be affected by the framework presented by the National Debt Office; in a crisis, such institutions will be declared bankrupt or placed in liquidation rather than resolution. The model presented for the calculation of MREL took effect from 1 January 2018 onwards and institutions must progressively build up the volume of subordinated liabilities required to meet the minimum requirement by 2022. On 20 December 2017, the National Debt Office announced which banks and credit institutions, other than the four major banks, that must to comply with the requirement. The Issuer is not one of them.

The BRRD has been implemented into Swedish law by the Resolutions Act (*Lag (2015:1016) om resolution*) and the Precautionary Support Act (*Lag (2015:1017) om förebyggande statligt stöd till kreditinstitut*) both of which entered into force on 1 February 2016. The National Debt Office has been appointed as resolution authority and has been given certain powers which can be categorised into preventive powers, early intervention powers and resolution powers. Ultimately, the authority may take control of a failing firm and, for example, transfer the firm to a private purchaser or to a publicly controlled entity pending a private sector arrangement. All these actions can be taken without any prior shareholder approval.

The primary objective of the BRRD and the Resolutions Act is to maintain financial stability. All firms are covered by the regime and may thus potentially be subject to resolution actions, including the Issuer. A prerequisite for initiating resolution actions is, however, that it is deemed necessary and proportionate in order to achieve the resolution objectives, such as systemic stability concerns. The BRRD and the Resolutions Act also provide that shares and other tier 1 and tier 2 capital instruments may be written-down/converted independently of resolution and, accordingly, these actions may be taken even if the criteria for initiating resolution action are not satisfied.

It is not possible to predict exactly how the powers and tools of the National Debt Office described in the BRRD and the Resolutions Act will affect the Issuer. Accordingly, it is not possible to assess the full impact of the

BRRD and the Resolutions Act on the Issuer. The powers and tools given to the National Debt Office are numerous and may have a substantial effect on the Issuer.

### **EBA regulatory technical standards (RTS) on criteria for determining the minimum requirement for own funds and eligible liabilities under the BRRD**

In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that all in-scope firms have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied. Each firm must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities (the National Debt Office for Sweden) on a case by case basis. The MREL requirement applies to all EU credit institutions (and certain investment firms), not just to those identified as being of a particular size or of systemic importance.

In determining a firm's MREL, the resolution authority must have regard to certain criteria specified in the BRRD and the MREL requirement for that firm will be comprised of a number of key elements, including the required loss absorbing capacity of the firm (which will, as a minimum, equate to the firm's capital requirements under CRD IV, including applicable buffers), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include: the extent to which a firm has liabilities in issues which are excluded from contributing to loss absorption or recapitalisation; the risk profile of the firm; the systemic importance of the firm; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

Items eligible for inclusion in MREL will include a firm's own funds (within the meaning of CRD IV), along with "eligible liabilities", meaning liabilities which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives. The MREL requirement may also have to be met partially through the issuance of contractual bail-in instruments, being instruments that are effectively subordinated to other eligible liabilities in a bail-in or insolvency of the relevant firm.

The BRRD's provisions relating to MREL are set out in Article 45 of the BRRD. These provisions are supplemented by regulatory technical standards (RTS) drafted by the EBA. The key RTS relates to the assessment criteria for determining a firm's MREL under the BRRD and are set out in the Commission Delegated Regulation (EU) 2016/1450, which entered into force on 23 September 2016.

Although member states were required to implement the MREL requirement from 1 January 2016, the EBA has recommended that resolution authorities allow firms a transitional period of up to four years to reach the applicable MREL requirements.

It should be noted that the Resolution Act, in line with BRRD, requires that all in-scope firms have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied (see Chapter 4, section 3 of the Resolution Act).

As stated above, on 23 February 2017, the National Debt Office presented the finalised model for the calculation of MREL, stating that systemically important institutions need to replace a portion of their existing bond holdings with subordinated bonds. However, the National Debt Office announced on 20 December 2017 that the Issuer is not a systemically important institution. For institutions which are not so deemed, the MREL requirements will remain at the level of the institution's applicable capital requirements.

The extent and nature of the MREL requirements are currently being developed and so it is not possible to determine the exact impact that they will have on the Issuer once implemented. The proposals may require the Issuer to issue a significant amount of additional eligible liabilities in order to meet the new MREL requirements within the required timeframes. If the Issuer was to experience difficulties in raising eligible liabilities, it may have to reduce its lending or investments in other operations.

### **Disputes and legal proceedings**

From time to time, Klarna may be subject to legal proceedings, claims and disputes in jurisdictions where it is active. There is a risk that the Issuer will become involved in a dispute which could materially adversely affect Klarna's business, financial condition and results of operations. There is further a risk that the results of any investigation, proceeding, litigation or arbitration brought by private parties, regulatory authorities or governments can be hard for the Issuer to predict. In addition, if an unfavourable decision were to be given

against Klarna, significant fines, damages and/or negative publicity can adversely affect the Issuer's business, financial condition and results of operations.

### **Taxes**

On 1 January 2017, new legislation came into force in Sweden, abolishing the income tax deductibility for interest payments on capital instruments and subordinated loans qualifying as additional tier 1 capital and tier 2 capital under the CRR. Since the legislation came into effect recently, it is currently not possible to predict the extent of the impact on the Issuer's business. However, it is likely that the rules will increase the overall tax burden for the Issuer which could adversely affect its business, financial condition and results of operations. The rules may also affect the overall financial stability of the Issuer and other institutions affected by the rules.

The Issuer's business and transactions are conducted in accordance with the Issuer's interpretation of applicable laws, tax treaties, regulations, case law and requirements of the tax authorities. There can be no assurances that its interpretation of applicable laws, tax treaties, regulations, case law or other rules or administrative practice is correct, or that such rules or practice will not change, possibly with retroactive effect. For example, on 7 November 2016, a government committee presented its report "*Tax on financial services*" to the government. The committee was appointed under the assumption that the financial services sector, in comparison to other sectors, has a tax advantage due to financial services being exempt from VAT. The committee proposed that a financial activity tax of 15 per cent. be introduced, designed as a form of additional salary tax. However, the proposal has been heavily criticised during the consultation for comments, mainly for being too broad in its scope. On 24 February 2017, the government therefore announced that it will withdraw the proposal but begin drafting a new tax proposal that will be more narrowly directed at banks. It is currently not possible to predict if or when a new proposal will be presented or what it will look like. The Issuer's tax situation both for previous, current and future years may change as a result of legislative changes such as the one mentioned, decisions made by the tax authorities or as a result of changed tax treaties, regulations, case law or requirements of the tax authorities. Such decisions or changes, potentially with retroactive effect, could adversely affect the Issuer's business, financial condition and results of operations.

In particular, there are two pending disputes with the Swedish tax agency (*Skatteverket*) regarding the Issuer's principles for allocating input VAT and the VAT deductibility of the Issuer's products. The Issuer has made provisions for the outcome of this, but such provisions may prove insufficient.

### **Anti-money laundering**

Klarna's business is subject to a regulatory framework which requires Klarna to take actions in order to counteract money laundering and terrorist financing. In order to comply with the framework all concerned companies need to establish substantial procedures, internal control functions and guidelines to counteract money laundering and terrorist financing, which can entail additional costs for Klarna.

Failure to comply with the requirements can result in legal implications. If Klarna would become subject to material sanctions, remarks or warnings and/or fines imposed by the SFSA, this would cause significant, and potentially irreparable, damage to the reputation of Klarna and, as a result, Klarna's business, financial position and results of operations can be materially adversely affected. Klarna's operations are contingent upon the banking licence issued by the SFSA. The loss or suspension of the licence would require Klarna to cease its banking operations which could have a material adverse effect on its business, financial condition and results of operations.

## **RISKS RELATING TO THE NOTES**

### **The Issuer is not prohibited from issuing further debt, which may rank *pari passu* or with priority to Notes**

There is no restriction in the amount or type of debt that the Issuer may issue or incur that ranks, *pari passu* or with priority to Notes. The incurrence of any such debt may reduce the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer. There are no limitations on security in the General Terms and Conditions which limit the ability of the Issuer to provide security for other debt obligations. In addition, only certain default provisions (including cross acceleration) under the General Terms and Conditions apply to entities within the Group other than the Issuer.

### **Notes obligations of the Issuer only**

Notes issued will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any other person, and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under Notes.

### **Certain material interests**

The Dealers (and closely related companies) have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for Klarna in the ordinary course of business. For example, Nordea Bank Abp provides Klarna with a secured credit facility. Accordingly, conflicts of interest may exist or may arise as a result of parties having previously engaged or in the future engaging in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

### **Interest rate risk**

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate Notes. Changes in the general level of interest rates, in particular EURIBOR, NIBOR and STIBOR (as applicable), may adversely affect the value of floating rate Notes. Changes in the expected interest rate level for different categories of risk in investments may also affect the value of both fixed and floating rate Notes.

### **Maturity risk**

The market risk with an investment in Notes increases the longer the term is, since it is more difficult to overview how the market interest rates will develop with a longer term than a shorter term. The market risk also increases with a longer term since the fluctuation in the price of a note is greater for a note with a longer term than for a note with a shorter term.

### **Prepayment risk**

The Final Terms may give Klarna a right to redeem Notes in advance, which means that all or some Notes may be redeemed prior to the agreed Maturity Date. There is a risk that such right entails that the market value of such Notes will be lower. As long as Klarna has such right, the market value of such Notes will generally not increase substantially above the rate at which they can be redeemed.

### **Majority decisions by the Noteholders**

Under the General Terms and Conditions certain majorities of Noteholders have the right to make decisions and take measures that bind all Noteholders, including those who vote in a manner contrary to the majority. Therefore, the actions of the majority in such matters can impact the Noteholders' rights under Notes in a manner that can be undesirable for some of the Noteholders.

### **Credit risks**

If the Issuer's financial position deteriorates it is likely that the credit risk associated with Notes will increase as there would be an increased risk that the Issuer cannot fulfil its obligations under such Notes. The Issuer's financial position is affected by numerous risk factors, some of which have been outlined above. An increased credit risk can result in the market pricing Notes with a higher risk premium, which can adversely affect the value of such Notes. Another aspect of the credit risk is that a deteriorated financial position can result in a lower credit worthiness, which can affect the Issuer's ability to refinance Notes and other existing debt, which in turn can adversely affect the Issuer's operations, result and financial position.

### **The price of Notes may be volatile**

The market price of Notes can be subject to significant fluctuations in response to actual or anticipated variations in Klarna's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which Klarna operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, can adversely affect the market price of Notes without regard to Klarna's operating results, financial condition or prospects.

### **MiFID II and MiFIR**

The main parts of the European Council Directive 2014/65/EU on markets in financial instruments (MiFID II) and the Regulation (EU) No 600/2014 on markets in financial instruments (MiFIR) entered into force on 3

January 2018. These entail both a review of existing rules on the securities market and the introduction of completely new rules. Among other things, the reporting requirements and transparency obligations on the interest rate market have increased. This may cause the financial institutions acting as intermediaries in trading financial instruments to become less likely to buy securities into their own stocks. If that is to happen to Klarna's issued Notes it can lead to a deteriorating liquidity of these, which could have an adverse effect on the Noteholders.

### **European Benchmarks Regulation**

Following a number of major scandals, the process of the calculation of EURIBOR, LIBOR, STIBOR and other interest rate benchmarks have been subject of the legislator's attention. This has resulted in a number of legislative measures, whereof some have been implemented and others are going to be implemented. The most important initiative on the subject matter is the so called Benchmarks Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014) that entered into force 1 January 2018 and which regulates the provision of a benchmark, contribution of input data for the purpose of determining a benchmark and the operation of benchmarks within the EU. Since the regulation has only been applicable for a limited period of time, the effects of the regulation cannot be fully assessed. There is, however, a risk that the Benchmarks Regulation may affect how interest rate benchmarks are calculated and developed. This in turn may give rise to increased volatility for some interest rate benchmarks. In addition, the increased administrative requirements and the associated regulatory risks may decrease the will of some parties to participate in the determination of interest rate benchmarks or to the fact that certain interest rate benchmarks will cease to be published. If this is the case for an interest rate benchmark applied to Notes, it could have an adverse effect on the Noteholders.

### **Trading market for Notes**

Notes issued under the Programme will in most cases be new securities which may not be widely distributed and for which there is currently no active trading market. If Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application may be made for Notes to be admitted to listing and trading on a trading venue, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for Notes.

### **Clearing and settlement in the CSD systems**

Notes issued will be affiliated to and will continue to be affiliated to a central securities depository of notes, currently Euroclear's account-based system in respect of Euroclear Notes and VPS's account-based system in respect of VPS Notes. No physical notes have been or will be issued. Clearing and settlement relating to Notes, as well as payment of interest and redemption of principal amounts, will be performed within the CSD's account-based system. The investors are therefore dependent on the functionality of the CSD's account-based system.

### **Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on Notes in either Euro, Norwegian kroner or Swedish kronor. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit other than the relevant currency (the "**Noteholder's Currency**"). Accordingly, a Noteholder is exposed to exchange rate risk if relevant exchange rates fluctuate significantly (including, but not limited to, fluctuations due to a devaluation of the relevant currency or a revaluation of the Noteholder's Currency) or authorities with jurisdiction over the Noteholder's Currency impose or modify relevant exchange controls (if any).

## DESCRIPTION OF THE PROGRAMME

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*The following is a description of the Programme and is qualified in its entirety by the full Conditions included in the section “General Terms and Conditions and form of Final Terms”.*

### General

The Programme has been established by Klarna Bank AB (publ) for the issuance of medium term notes in EUR, NOK and SEK. A Note may be issued in a minimum Nominal Amount of EUR 100,000 (or the equivalent in any other available currency) and with a minimum term of one year. The Issuer has undertaken towards the Dealers that the total outstanding Nominal Amount of Notes under the Programme shall not exceed SEK 5,000,000,000 (five billion) at any time. Klarna and the Dealers may agree to increase or decrease such amount.

Klarna has appointed Nordea Bank Abp as Arranger and Nordea Bank Abp, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) as Dealers, in respect of the Programme. Further Dealers may be appointed.

### General Terms and Conditions and Final Terms

Notes issued under the Programme will be governed by the General Terms and Conditions as well as the applicable Final Terms. The General Terms and Conditions are standardised and apply to all Notes issued under the Programme. For each Loan, Final Terms are prepared that include supplementary terms and conditions for the relevant Loan. Applicable Final Terms must therefore be read in conjunction with the General Terms and Conditions. The Final Terms will be submitted to the SFSA and published on the webpage of the Issuer. Any amendments to the General Terms and Conditions will not be effective to Notes issued prior to such amendment, unless a Noteholders’ Meeting resolves otherwise.

### Form of Notes

Notes will be issued in dematerialised book-entry form and registered on a CSD Account on behalf of the relevant Noteholder. Hence, no physical notes will be issued. Euroclear Notes will be registered in accordance with the Swedish Financial Instruments Accounts Act and VPS Notes will be registered in accordance with the Norwegian Securities Register Act. Registration requests relating to Notes shall be directed to an Account Operator. Each Loan will be identified by an individual number (International Securities Identification Number).

The registered addresses of the CSDs are included in the section “Addresses”.

The Issuer has appointed Nordea Bank Abp, filial i Norge, as paying agent and registrar (IPA) in respect of VPS Notes. The IPA will, in accordance with the Norwegian Securities Register Act, create and administer the Issuer’s issuer account with VPS, register the Issuer’s issuance of VPS Notes and perform payments under VPS Notes at the instruction of the Issuer.

### Status of Notes

Upon issuance, Notes will constitute direct, unconditional, unsubordinated and unsecured debt obligations of the Issuer and rank *pari passu* and without any preference among themselves and shall rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations (except those obligations preferred by law) of the Issuer.

### Pricing and interest

Notes may be issued at a discount or at a premium compared to their Nominal Amount. The issue price and interest rate for Notes cannot be determined in advance but is set in connection with the actual issuance of Notes. Interest may be set at a floating interest rate based on EURIBOR, NIBOR or STIBOR, plus a margin, or at a fixed interest rate.

### Admission to trading

Notes issued may be listed on a Regulated Market. If relevant, any intended listing of Notes will be set out in the applicable Final Terms. The estimated costs associated with such listing will also be set out in the applicable Final Terms. Although the Issuer may undertake to apply for a listing of Notes, there is no assurance that such application will be accepted, that Notes will be so admitted or that an active trading market will develop.

### Prescription

Claims for the repayment of the principal of Notes shall be prescribed and become void ten (10) years after the Maturity Date. Claims for the payment of interest shall be prescribed and become void three (3) years from the

relevant Interest Payment Date. Upon prescription, the Issuer shall be entitled to keep any funds that may have been reserved for such payments.

If the prescription period is duly interrupted in accordance with the Swedish Limitations Act (*preskriptionslagen (1981:130)*) a new prescription period of ten years will commence for claims in respect of principal and three years for claims in respect of interest amounts, in both cases calculated from the day indicated by provisions laid down in the Swedish Limitations Act concerning the effect of an interruption in the limitation period.

### **Governing law**

The Conditions shall be governed by the laws of Sweden. Disputes shall be settled by Swedish courts. The Stockholm District Court (*Stockholms tingsrätt*) shall be the court of first instance.

## **Product description**

### **Interest structures**

Notes issued under the Programme may have a fixed or floating interest rate. The interest structure applicable to a specific Loan will be stated in the Final Terms. Below is a short description of the available interest structures.

#### ***Fixed interest rate***

If the relevant Final Terms of a Loan specify fixed interest rate as applicable to it, the Loan shall bear interest on its Nominal Amount at the Interest Rate specified in the relevant Final Terms:

- (a) in respect of Euroclear Notes, from (but excluding) the Interest Commencement Date up to (and including) the Maturity Date; and
- (b) in respect of VPS Notes, from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date.

Interest accrued during an Interest Period is calculated using the Day Count Convention 30/360 and paid in arrears on the relevant Interest Payment Date or, to the extent such day is not a Business Day, the first following day that is a Business Day. Day Count Convention 30/360 means that the amount shall be calculated using a year of 360 days comprising twelve months of 30 days each, and in the case of a fraction of a month using the actual number of days of the month that have passed. Interest will however only accrue until the relevant Interest Payment Date.

#### ***Floating interest rate***

If the relevant Final Terms of a Loan specify floating interest rate as applicable to it, the Loan shall bear interest on its Nominal Amount:

- (a) in respect of Euroclear Notes, from (but excluding) the Interest Commencement Date up to (and including) the Maturity Date; and
- (b) in respect of VPS Notes, from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date.

If the Interest Base plus the Margin for the relevant period is below zero (0), the floating interest rate shall be deemed to be zero (0).

The Interest Rate applicable to each respective Interest Period is determined by the Administrative Agent on the respective Interest Determination Date as the Interest Base plus the Margin for such period. The Margin will be set out in the relevant Final Terms and the Interest Base may be either of EURIBOR, NIBOR and STIBOR (as defined in the General Terms and Conditions).

Interest accrued during an Interest Period is calculated using the Day Count Convention Actual/360 and paid in arrears on the relevant Interest Payment Date or, to the extent such day is not a Business Day, the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day. Day Count Convention Actual/360 means that the amount shall be calculated using the actual number of days in the relevant period divided by 360.

#### ***European Benchmarks Regulation***

Interest payable for Notes issued under the Programme may be calculated by reference to certain benchmarks, being EURIBOR, NIBOR and STIBOR, as defined in the General Terms. The benchmarks are provided by the European Money Market Institute (EURIBOR), the Norske Finansielle Referanser AS (NIBOR) and the Swedish

Bankers' Association (STIBOR). At the date of this Base Prospectus, the European Money Market Institute, the Norske Finansielle Referanser AS and the Swedish Bankers' Association do not appear on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmarks Regulation**"). As far as the Issuer is aware the provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Market Institute, the Norske Finansielle Referanser AS and the Swedish Bankers' Association are not yet required to obtain authorisation or registration (or, if located outside of the European Union, equivalence, recognition or endorsement).

## **Repayment of Loans and payment of interest**

### **Repayment at maturity**

A Loan falls due on the Maturity Date set out in the relevant Final Terms. Interest shall be paid on each Interest Payment Date set out in the relevant Final Terms. If the due date in respect of a repayment or payment (other than interest) falls on a day which is not a Business Day, the amount will be credited to an account or made available to the payee on the next following Business Day (and in respect of interest, in accordance with what is set out above in section "Interest structures").

### **Repurchase of Notes by the Issuer**

The Issuer may repurchase Notes at any time and at any price in the open market or otherwise provided that this is compatible with applicable law. Notes held by the Issuer may be retained, resold or cancelled at the Issuer's discretion.

### **Voluntary redemption of Notes by the Issuer**

The relevant Final Terms may specify a right for the Issuer to, in whole or in part, redeem Notes in advance of the Maturity Date at times and prices specified in such Final Terms.

### **Mandatory repurchase due to a Change of Control Event**

Following the occurrence of a Change of Control Event, each Noteholder shall, during a period of twenty (20) Business Days from the effective date of a notice from the Issuer pursuant to the General Terms and Conditions (after which time period such right shall lapse), have the right to request that all, or some only, of its Notes be repurchased at a price per Note equal to 100 per cent. of the Nominal Amount together with accrued but unpaid interest.

A "**Change of Control Event**" means an event or series of related events resulting in one person (or several persons who either (i) are, in respect of individuals, related; (ii) are, in respect of legal entities, members of the same group; or (iii) who act or have agreed to act in concert for the purposes of and prior to the acquisition of, or the establishment of control over, shares in the Issuer), other than an Existing Shareholder, directly or indirectly acquiring fifty (50) per cent. or more of the shares in the Issuer, or otherwise, directly or indirectly, establishing control over fifty (50) per cent. or more of the shares and/or votes in the Issuer.

An "**Existing Shareholder**" means each of (i) Klarna Holding AB, (ii) Sebastian Siemiatkowski and his holding companies, (iii) Niklas Adalberth and his holding companies, (iv) Victor Jacobsson and his holding companies, (v) funds advised by Sequoia Capital, (vi) Anders Holch Povlsen and his holding companies, (vii) funds advised by Permira, and (viii) any relative or affiliate to any of the aforementioned persons or entities.

### **Acceleration of the Notes**

The Administrative Agent shall, (i) following a demand in writing from a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Loan Amount under a Loan (such a request can only be made by Noteholders registered in the relevant CSD Account on the Business Day occurring immediately after the date that the request was received by the Administrative Agent and must, if made by several Noteholders, be made jointly), or (ii) following a resolution at a Noteholders' Meeting for a Loan, on behalf of the Noteholders by notice to the Issuer, declare all, but not some only, of the outstanding Notes under such Loan due and payable together with any other amounts payable under the Loan, immediately or at such later date as the Administrative Agent or Noteholders' Meeting determines, if:

- (a) the Issuer does not pay on the due date any amount payable by it under any Loan, unless the non-payment:
  - (i) is caused by technical or administrative error; and

- (ii) is remedied within five (5) Business Days from the due date;
- (b) the Issuer does not comply with any terms, or acts in violation, of the Conditions of the relevant Loan (other than those terms referred to in paragraph (a) above), unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within fifteen (15) Business Days of the earlier of (A) the Administrative Agent giving notice thereof to the Issuer and (B) the Issuer becoming aware of the non-compliance;
- (c) the Conditions for the relevant Loan becomes invalid or ineffective, in whole or in part (other than in accordance with the provisions of such Conditions), and such invalidity or ineffectiveness is materially prejudicial to the interests of the Noteholders;
- (d) any corporate action, legal proceedings or other procedure or step (unless vexatious or frivolous, disputed in good faith and discharged within thirty (30) Business Days) is taken in relation to:
  - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution or administration of the Issuer or a Material Subsidiary;
  - (ii) a composition, or arrangement with any creditor of the Issuer (other than the Noteholders) or a Material Subsidiary; or
  - (iii) the appointment of a liquidator, administrator or other similar officer in respect of the Issuer, a Material Subsidiary, or any of its assets,
 in each case other than in connection with a solvent liquidation or solvent reorganisation of a Material Subsidiary;
- (e) any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset of the Issuer or a Material Subsidiary which is material to its business and not discharged within thirty (30) Business Days, or any Security over any asset of the Issuer or a Material Subsidiary which is material to its business is enforced; or
- (f) any financial indebtedness of the Issuer or a Material Subsidiary is not paid when due nor within any applicable grace period, or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this paragraph (f) if the aggregate amount of financial indebtedness referred to herein is less than SEK 50,000,000.

“**Material Subsidiary**” means a Subsidiary to the Issuer the total assets of which represent more than ten (10) per cent. of the total assets of the Group (on a consolidated basis), determined by reference to the most recently published financial statements of the Subsidiary and the Issuer, respectively.

As at the date of this Base Prospectus, since most of the Group’s assets are held by the Issuer there is no Subsidiary to the Issuer that qualifies as a Material Subsidiary.

## **GENERAL TERMS AND CONDITIONS AND FORM OF FINAL TERMS**

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### **GENERAL TERMS AND CONDITIONS**

The following general terms and conditions (the “**General Terms and Conditions**”) apply for Notes (as defined below) that Klarna Bank AB (publ) (Reg. No. 556737-0431; LEI No. 54930003HXYXXUHR0897) (the “**Issuer**”) issues in the capital market under an agreement with the Dealers (as defined below) in respect of a Swedish medium term note programme (the “**Programme**”).

For each Loan, final terms are prepared that include supplementary terms and conditions, which together with these General Terms and Conditions constitute the complete terms and conditions for the relevant Loan. Final Terms for Notes that are offered to the public will be published on the Issuer’s website (www.klarna.com) and made available at the office of the Issuer. For as long as any Notes are outstanding, the Issuer will keep the General Terms and Conditions and the Final Terms for such Notes available on its website.

#### **1. DEFINITIONS**

1.1 In the Conditions, the following expressions shall have the meaning ascribed to them below.

“**Account Operator**” means a bank or other party duly authorised to operate as an account operator (*kontoförande institut*) pursuant to the Swedish Financial Instruments Accounts Act or the Norwegian Securities Register Act, as the case may be, and through which a Noteholder has opened a CSD Account in respect of its Notes;

“**Accounting Principles**” means the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time) as applied by the Issuer in preparing its annual consolidated financial statements;

“**Adjusted Loan Amount**” means, with respect to a specific Loan, the Total Nominal Amount of outstanding Notes excluding Notes held by the Issuer and any other member of the Group, irrespective of whether such person is directly registered as owner of such Notes;

“**Administrative Agent**” means (i) if a Loan is raised through two or more Issuing Houses, the Issuing House appointed by the Issuer to be responsible for certain administrative tasks in respect of the Loan as set out in the relevant Final Terms; and (ii) if a Loan is raised through only one Issuing House, the Issuing House;

“**Business Day**” means (i) in respect of Euroclear Notes, a day which is not a Sunday or other public holiday in Sweden or which is not treated as a public holiday for the purpose of payment of promissory notes (Saturdays, Midsummer’s Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year’s Eve (*nyårsafton*) shall in respect of Euroclear Notes be deemed public holidays); and (ii) in respect of VPS Notes, a day other than a Saturday, Sunday or a public holiday in Norway on which the Norwegian Central Bank’s and the VPS’s settlement systems are open and commercial banks in Norway are open for business;

“**Change of Control Event**” means an event or series of related events resulting in one person (or several persons who either (i) are, in respect of individuals, related; (ii) are, in respect of legal entities, members of the same group; or (iii) who act or have agreed to act in concert for the purposes of and prior to the acquisition of, or the establishment of control over, shares in the Issuer), other than an Existing Shareholder, directly or indirectly acquiring fifty (50) per cent. or more of the shares in the Issuer, or otherwise, directly or indirectly, establishing control over fifty (50) per cent. or more of the shares and/or votes in the Issuer, except where the Noteholders have approved such event or series of events in accordance with Clause 10.11;

“**Conditions**” for a particular Loan means these General Terms and Conditions and the Final Terms for such Loan;

“**CSD**” means the central securities depository in which the Notes are registered, being (i) Euroclear in respect of Euroclear Notes, and (ii) VPS in respect of VPS Notes;

“**CSD Account**” means a securities account, maintained by Euroclear pursuant to the Swedish Financial Instruments Accounts Act in respect of Euroclear Notes and maintained by VPS pursuant to the Norwegian Securities Register Act in respect of VPS Notes, in which (i) an owner of such security is directly registered or (ii) an owner’s holding of securities is registered in the name of a nominee;

“**Day Count Convention**” means:

- (a) if the counting basis “30/360” is stated as being applicable, the amount shall be calculated using a year of 360 days comprising twelve months of 30 days each, and in the case of a fraction of a month using the actual number of days of the month that have passed; and
- (b) if the counting basis “Actual/360” is stated as being applicable, the amount shall be calculated using the actual number of days in the relevant period divided by 360;

“**Dealers**” means Nordea Bank Abp, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) and such other dealer (*emissionsinstitut*) appointed for this Programme in accordance with Clause 12.3, but only for so long as such dealer has not withdrawn as a dealer;

“**EURIBOR**” means the interest rate for a period comparable to the relevant Interest Period (1) listed at 11.00 a.m. (Brussels time) on the Interest Determination Date on Reuters screen EURIBOR01 (or through such other systems or on such other page that replaces the system or page mentioned) or – if such quotation does not exist – (2) at the mentioned time, according to information released by the Administrative Agent, equivalent to (a) the arithmetic mean of four leading commercial banks’ (that quote EURIBOR at the time in question and that are reasonably selected by the Administrative Agent) quoted interest rates to leading commercial banks in Europe for deposits of EUR 10,000,000 for the period in question or – if only one or no such quotation is given – (b) the Administrative Agent’s assessment of the interest rate offered by leading commercial banks in Europe for lending of EUR 10,000,000 for the period in question on the inter-bank market in Europe;

“**Euro**” and “**EUR**” means the single currency of the participating member states in accordance with the legislation of the European Community relating to the European Economic and Monetary Union;

“**Euroclear**” means Euroclear Sweden AB, Swedish Reg. No. 556112-8074;

“**Euroclear Notes**” means Notes denominated in Swedish Kronor or Euro;

“**Event of Default**” means an event or circumstance specified in Clause 9.1;

“**Existing Shareholder**” means each of (i) Klarna Holding AB, (ii) Sebastian Siemiatkowski and his holding companies, (iii) Niklas Adalberth and his holding companies, (iv) Victor Jacobsson and his holding companies, (v) funds advised by Sequoia Capital, (vi) Anders Holch Povlsen and his holding companies, (vii) funds advised by Permira, and (viii) any relative or affiliate to any of the aforementioned persons or entities;

“**Final Terms**” means the final terms prepared for a particular Loan;

“**Group**” means the Issuer and its Subsidiaries from time to time;

“**Interest Base**” means, for a Loan with floating interest rate, the interest base (EURIBOR, NIBOR or STIBOR) stated in the relevant Final Terms;

“**Interest Determination Date**” means, for a Loan with floating interest rate, the date specified in the relevant Final Terms;

“**Interest Payment Date**” means, for a Loan, the date specified in the relevant Final Terms;

“**Interest Period**” means, for a Loan, the period specified in the relevant Final Terms;

“**Interest Rate**” means, (i) for a Loan with fixed interest rate, the interest rate specified in the relevant Final Terms and (ii) for a Loan with floating interest rate, the interest rate calculated in accordance with Clause 5.2;

“**IPA**” means Nordea Bank Abp, filial i Norge, as paying agent and registrar, or such other issuing and paying agent, in respect of VPS Notes, but only for so long as such issuing and paying agent has not withdrawn as a issuing and paying agent or been replaced in accordance with Clause 12.4;

“**Issue Date**” means, for a Loan, the date specified in the relevant Final Terms;

“**Issuing House**” means the Dealer(s) through which a specific Loan is raised;

“**Loan**” means each loan comprising one or more Notes with the same ISIN code, which the Issuer raises under this Programme;

“**Margin**” means, for a Loan with floating interest rate, the margin specified in the relevant Final Terms;

“**Material Subsidiary**” means a Subsidiary to the Issuer the total assets of which represent more than ten (10) per cent. of the total assets of the Group (on a consolidated basis), determined by reference to the most recently published financial statements of the Subsidiary and the Issuer, respectively;

“**Maturity Date**” means, for a Loan, the date specified in the relevant Final Terms;

“**NIBOR**” means the interest rate for a period comparable to the relevant Interest Period (1) fixed for a period comparable to the relevant Interest Period on Oslo Børs’ webpage at approximately 12.15 p.m. on the Interest Determination Date or, on days on which Oslo Børs has shorter opening hours (New Year’s Eve and the Wednesday before Maundy Thursday), the data published at approximately 10.15 a.m. on the day in question shall be used, or - if such quotation does not exist - (2) at the mentioned time equivalent to (a) the arithmetic mean of the quoted interest rates (rounded upwards to four decimal places) for deposits of NOK 100,000,000 for the period in question on the Norwegian interbank market as supplied by leading banks in the Norwegian interbank market reasonably selected by the Administrative Agent - or - if only one or no such quotation is given - (b) the Administrative Agent’s assessment of the interest rate offered by Norwegian commercial banks for lending of NOK 100,000,000 for the period in question on the Norwegian inter-bank market;

“**Nominal Amount**” means the amount for each Note that is stated in the relevant Final Terms less any amount repaid;

“**Norwegian Kroner**” and “**NOK**” means the lawful currency of Norway;

“**Norwegian Securities Register Act**” means the Norwegian Act Securities Register Act of 2002 no. 64 (Nw. *verdipapirregisterloven*);

“**Note**” means a debt instrument for the Nominal Amount, of the type set forth in the Swedish Financial Instruments Accounts Act in respect of Euroclear Notes, or the Norwegian Securities Register Act in respect of VPS Notes, which represents a part of a Loan and which is governed by and issued under the Conditions;

“**Noteholder**” means the person recorded on a CSD Account as direct registered owner (*ägare*) or nominee (*förvaltare*) of a Note;

“**Noteholders’ Meeting**” means a meeting of the Noteholders in respect of a Loan as described in Clause 10 (*Noteholders’ Meeting*);

“**Record Date**” means:

- (a) in relation to Euroclear Notes, the fifth (5) Business Day prior to:
  - (i) an Interest Payment Date;
  - (ii) a Maturity Date or any other date when payment is to be made to Noteholders;
  - (iii) the date of a Noteholders’ Meeting; or
  - (iv) another relevant date;

or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish debt capital market; and

- (b) in relation to VPS Notes:

- (i) the third (3) Business Day before:
    - (A) a Maturity Date or any other date when payment is to be made to Noteholders (other than payment of interest amounts);
    - (B) the date of a Noteholders' Meeting; or
    - (C) another relevant date; and
  - (ii) the fourteenth (14) day before an Interest Payment Date;
- or in each case, such other Business Day falling prior to a relevant date if generally applicable on the Norwegian debt capital market;

“**Regulated Market**” means a regulated market for the purposes of Directive 2014/65/EU;

“**Security**” means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect;

“**STIBOR**” means the interest rate for a period comparable to the relevant Interest Period (1) listed at 11.00 a.m. (Stockholm time) on the Interest Determination Date on Nasdaq Stockholm's webpage for STIBOR fixing (or on such other webpage that replaces the webpage mentioned) or - if such quotation does not exist - (2) at the mentioned time equivalent to (a) the arithmetic mean of quoted interest rates (rounded upwards to four decimal places) for deposits of SEK 100,000,000 for the period in question on the Stockholm interbank market as supplied by leading banks in the Stockholm interbank market reasonably selected by the Administrative Agent - or - if only one or no such quotation is given - (b) the Administrative Agent's assessment of the interest rate offered by Swedish commercial banks for lending of SEK 100,000,000 for the period in question on the Stockholm inter-bank market;

“**Subsidiary**” means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), which at the time is a subsidiary (*dotterföretag*) to such person, directly or indirectly, as defined in the Swedish Companies Act (*aktiebolagslag (2005:551)*);

“**Swedish Financial Instruments Accounts Act**” means the Swedish Financial Instruments Accounts Act (*lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*);

“**Swedish Kronor**” and “**SEK**” means the lawful currency of Sweden;

“**Total Nominal Amount**” means, for a Loan, the total aggregate Nominal Amount of the Notes outstanding at the relevant time;

“**VPS**” means Verdipapirsentralen ASA, Norwegian Reg. No. 985 140 421; and

“**VPS Notes**” means Notes denominated in Norwegian Kroner.

1.2 When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published on Reuters' screen “SEKFIX=” (or on such other system or screen which replacing it) or, if such rate not is published, the rate of exchange for such currency published by the Swedish Central Bank (*Riksbanken*) on its website ([www.riksbank.se](http://www.riksbank.se)).

1.3 Further definitions are contained (where relevant) in the relevant Final Terms.

1.4 The definitions contained in these General Terms and Conditions shall also apply to the relevant Final Terms.

## 2. ISSUANCE OF NOTES, STATUS AND COVENANT TO PAY

2.1 Under this Programme the Issuer may issue Notes in Euro, Norwegian Kroner and Swedish Kronor with a minimum term of one year. Under a Loan, Notes may be issued in more than one tranche.

2.2 Upon issuance, Notes will constitute direct, unconditional, unsubordinated and unsecured debt obligations of the Issuer and rank *pari passu* and without any preference among themselves and

shall rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations (except those obligations preferred by law) of the Issuer.

- 2.3 The Issuer undertakes to repay the principal and to pay interest in respect of each Loan in accordance with these Conditions and to otherwise follow the Conditions for each Loan.
- 2.4 In subscribing for Notes each initial Noteholder accepts that its Notes shall have the rights and be subject to the conditions stated in the Conditions. In acquiring Notes each new Noteholder confirms such acceptance.
- 2.5 If the Issuer wishes to issue Notes under this Programme the Issuer shall enter into a separate agreement for this purpose with one or more Dealers which shall be the Issuing House(s) for such Loan.

### **3. REGISTRATION OF NOTES**

- 3.1 Notes shall be registered in a CSD Account on behalf of the Noteholder, and accordingly no physical notes representing the Notes will be issued.
- 3.2 A request concerning the registration of a Note shall be made to an Account Operator.
- 3.3 Any person who acquires the right to receive payment under a Note through a mandate, a pledge, regulations in the Code on Parents and Children (*Föräldrabalken*), conditions in a will or deed of gift or in some other way shall register her or his right in order to receive payment.
- 3.4 The Administrative Agent shall, for the purpose of carrying out its tasks in connection with the Conditions and, with Euroclear's or VPS's (as the case may be) permission, at all other times be entitled to obtain information from the debt register (*skuldbok*) kept by Euroclear and the securities depository kept by VPS, as relevant, in respect of the Notes.
- 3.5 The Administrative Agent may use the information referred to in Clause 3.4 only for the purposes of carrying out their duties and exercising their rights in accordance with the Conditions and shall not disclose such information to the Issuer, a Noteholder or any third party unless necessary for such purposes. The Administrative Agent shall not be responsible for the content of such register that is referred to in Clause 3.4 or in any other way be responsible for determining who is a Noteholder.
- 3.6 In order to comply with the Conditions for a Loan, the Issuer and the Administrative Agent, may, acting as a data controller, collect and process personal data. The processing is based on the Issuer's or the Administrative Agent's legitimate interest to fulfil its respective obligations under the Conditions. Unless otherwise required or permitted by law, the personal data will not be kept longer than necessary given the purpose of the processing. To the extent permitted under the Conditions, personal data may be shared with third parties, such as Euroclear, which will process the personal data further as a separate data controller. Data subjects generally have right to know what personal data the Issuer and the Administrative Agent processes about them and may request the same in writing at the Issuer's or the Administrative Agent's registered address. In addition, data subjects have the right to request that personal data is rectified and have the right to receive personal data provided by themselves in machine-readable format. Information about the Issuer's and the Administrative Agent's respective personal data processing can be obtained by requesting the same in writing at the Issuer's or the Administrative Agent's registered address.

### **4. PAYMENTS**

- 4.1 Payments in respect of Notes denominated in SEK shall be made in SEK, payments in respect of Notes denominated in NOK shall be made in NOK and payments in respect of Notes denominated in EUR shall be made in EUR.
- 4.2 A Loan falls due on the Maturity Date. Interest shall be paid on each Interest Payment Date in accordance with the relevant Final Terms. Subject to Clause 7.2 (*Voluntary redemption of Notes by the Issuer*), on the Maturity Date each Note shall be repaid at an amount equal to its Nominal Amount together with accrued but unpaid interest (if any).
- 4.3 Repayment of principal and payment of interest shall be made to the person who is a Noteholder on the Record Date prior to such payment date, or to such other person who is registered with the

relevant CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.

- 4.4 The Issuer has appointed the IPA to facilitate payments of interest and repayment of principal amounts for VPS Notes. The Issuer undertakes to, for as long as any Notes registered with VPS are outstanding, procure that payments of interest and repayment of principal amounts for such Notes may be made by the IPA in accordance with the Conditions, the rules and regulations of VPS and relevant agreements between the Issuer and the IPA.
- 4.5 Where a Noteholder has arranged for an Account Operator to record that principal and interest are to be credited to a specific bank account, the payments will be made through the relevant CSD on the relevant due dates. If no such instructions have been given, the relevant CSD will send the amount on such dates to the Noteholder at the address registered on the Record Date with such CSD. If the due date in respect of a repayment or payment (other than interest) falls on a day which is not a Business Day, the amount will be credited to an account or made available to the payee on the next following Business Day (and in respect of interest, in accordance with Clause 5.1.2 or 5.2.2, as applicable).
- 4.6 If the IPA or a CSD is unable to pay the amount in the manner stated above as a result of some delay on the part of the Issuer or because of some other obstacle, then, as soon as the obstacle has been removed, the Issuer shall ensure that the amount is paid by the IPA or the CSD, as applicable, to the person registered as Noteholder on the Record Date.
- 4.7 If the Issuer is unable to carry out its obligations to pay through the IPA or a CSD in the manner stated above due to obstacles for the IPA or the relevant CSD as stated in Clause 15.1, the Issuer shall have a right to postpone the obligation to pay until the obstacle has been removed. In such case, interest will be paid in accordance with Clause 6.2.
- 4.8 If payment or repayment is made in accordance with this Clause 4, the Issuer, the IPA and the relevant CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount, unless the Issuer or the CSD was aware of that payment was being made to a person not entitled to receive such amount.
- 4.9 The Issuer is not liable to gross-up any payments under Notes by virtue of any withholding tax (including but not limited to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto), public levy or the similar.

## **5. INTEREST**

### **5.1 Fixed interest rate**

- 5.1.1 If the relevant Final Terms of a Loan specify fixed interest rate as applicable to it, the Loan shall bear interest on its Nominal Amount at the Interest Rate:
- (a) in respect of Euroclear Notes, from (but excluding) the Interest Commencement Date up to (and including) the Maturity Date; and
  - (b) in respect of VPS Notes, from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date.
- 5.1.2 Interest accrued during an Interest Period is calculated using the Day Count Convention 30/360 and paid in arrears on the relevant Interest Payment Date or, to the extent such day is not a Business Day, the first following day that is a Business Day. Interest will however only accrue until the relevant Interest Payment Date.

### **5.2 Floating interest rate**

- 5.2.1 If the relevant Final Terms of a Loan specify floating interest rate as applicable to it, the Loan shall bear interest on its Nominal Amount:

- (a) in respect of Euroclear Notes, from (but excluding) the Interest Commencement Date up to (and including) the Maturity Date; and
- (b) in respect of VPS Notes, from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date.

If the Interest Base plus the Margin for the relevant period is below zero (0), the floating interest rate shall be deemed to be zero (0).

- 5.2.2 Interest accrued during an Interest Period is calculated using the Day Count Convention Actual/360 and paid in arrears on the relevant Interest Payment Date or, to the extent such day is not a Business Day, the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.
- 5.2.3 The Interest Rate applicable to each respective Interest Period is determined by the Administrative Agent on the respective Interest Determination Date as the Interest Base plus the Margin for such period.
- 5.2.4 If the Interest Rate is not determined on the Interest Determination Date because of an obstacle such as is described in Clause 15.1, the Loan shall continue to bear interest at the rate that applied to the immediately preceding Interest Period. As soon as the obstacle has been removed the Administrative Agent shall calculate a new Interest Rate to apply from the second Business Day after the date of calculation until the end of the current Interest Period.

## **6. PENALTY INTEREST**

- 6.1 In the event of delay in payment relating to principal and/or interest (except in accordance with Clause 4.7), penalty interest shall be paid on the amount due from the maturity date up to and including the day on which payment is made, at an interest rate which corresponds to the average of one week's EURIBOR (for Loans denominated in EUR), NIBOR (for Loans denominated in NOK) or STIBOR (for Loans denominated in SEK), applicable on the first Business Day in each calendar week during the course of delay plus two (2) percentage points. Penalty interest, in accordance with this Clause 6.1, shall never be less than the interest rate applicable to the relevant Loan on the relevant due date with the addition of two (2) percentage points. Penalty interest is not compounded with the principal amount.
- 6.2 If the delay is due to an obstacle of the kind set out in Clause 15.1 on the part of the Issuing House(s), the IPA or any relevant CSD, no penalty interest shall apply, in which case the interest rate which applied to the relevant Loan on the relevant due date shall apply instead.

## **7. REDEMPTION AND REPURCHASE OF NOTES**

### **7.1 Repurchase of Notes by the Issuer**

The Issuer may repurchase Notes at any time and at any price in the open market or otherwise provided that this is compatible with applicable law. Notes owned by the Issuer may be retained, resold or cancelled at the Issuer's discretion.

### **7.2 Voluntary redemption of Notes by the Issuer**

- 7.2.1 The relevant Final Terms may specify a right for the Issuer to, in whole or in part, redeem Notes in advance of the Maturity Date at times and prices specified in such Final Terms.
- 7.2.2 Redemption in accordance with Clause 7.2.1 shall be made by the Issuer giving not less than fifteen (15) Business Days' notice and not more than thirty (30) Business Days' notice to the Noteholders, in each case calculated from the effective date of the notice. The notice from the Issuer shall specify the date of redemption and also the Record Date on which a person shall be registered as a Noteholder to receive the amounts due on such date of redemption. The notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon fulfilment of the conditions precedent(s) (if any), the Issuer is bound to redeem the Notes in full at the applicable amount on the specified date of redemption.

### 7.3 **Mandatory repurchase due to a Change of Control Event**

- 7.3.1 Upon the occurrence of a Change of Control Event, each Noteholder shall, during a period of twenty (20) Business Days from the effective date of a notice from the Issuer of the Change of Control Event pursuant to Clause 8.4.2 (after which time period such right shall lapse), have the right to request that all, or some only, of its Notes be repurchased at a price per Note equal to 100 per cent. of the Nominal Amount together with accrued but unpaid interest. However, such period may not start earlier than upon the occurrence of the Change of Control Event.
- 7.3.2 The notice from the Issuer of the Change of Control Event pursuant to Clause 8.4.2 shall specify the Record Date on which a person shall be registered as a Noteholder to receive interest and principal, the date of redemption and shall include instructions about the actions that a Noteholder needs to take if it wishes that its Notes be repurchased. If a Noteholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer shall, or shall procure that a person designated by the Issuer will, repurchase the relevant Notes and the repurchase amount shall fall due on the date of redemption specified in the notice given by the Issuer pursuant to Clause 8.4.2. The date of redemption must fall no later than forty (40) Business Days after the end of the period referred to in Clause 7.3.1.
- 7.3.3 The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 7.3, the Issuer may comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 7.3 by virtue of such conflict.
- 7.3.4 Any Notes repurchased by the Issuer pursuant to this Clause 7.3 may at the Issuer's discretion be retained, cancelled or sold.
- 7.3.5 The Issuer shall not be required to repurchase any Notes pursuant to this Clause 7.3, if a third party in connection with the occurrence of a Change of Control Event offers to purchase the Notes in the manner and on the terms set out in this Clause 7.3 (or on terms more favourable to the Noteholders) and purchases all Notes validly tendered in accordance with such offer. If Notes tendered are not purchased within the time period stipulated in this Clause 7.3, the Issuer shall repurchase any such Notes within five (5) Business Days after the expiry of the time period.

## 8. **GENERAL UNDERTAKINGS**

### 8.1 **Mergers**

The Issuer shall not carry out a merger (fusion), other than a merger where the Issuer is the surviving entity.

### 8.2 **Banking licence**

The Issuer shall maintain a licence to conduct banking and/or financing business (*tillstånd att bedriva bankrörelse och/eller finansieringsrörelse*) as required pursuant to the Swedish Banking and Financing Business Act (*lag (2004:297) om bank och finansieringsrörelse*) or any corresponding licence required pursuant to any legislation replacing the Swedish Banking and Financing Business Act.

### 8.3 **Admission to trading**

- 8.3.1 If listing is applicable under the relevant Final Terms of a Loan, the Issuer shall use its best efforts to ensure that the Loan is admitted to trading on the relevant Regulated Market not later than the date set out in such Final Terms, and that it remains listed or, if such listing is not possible to obtain or maintain, listed on another Regulated Market.
- 8.3.2 Following an admission to trading, the Issuer shall take all actions on its part to maintain the admission as long the relevant Loan is outstanding, but not longer than up to and including the last day on which the admission can reasonably, pursuant to the then applicable regulations of the relevant Regulated Market and the relevant CSD, subsist.

#### 8.4 **Information from the Issuer**

8.4.1 The Issuer will make the following information available to the Noteholders by way of press release and by publication on the website of the Issuer:

- (a) as soon as the same become available, but in any event within five (5) months after the end of each financial year, audited consolidated financial statements of the Group for that financial year prepared in accordance with the Accounting Principles including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors;
- (b) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, consolidated financial statements or the year-end report (bokslutskommuniké) (as applicable) of the Group for such period prepared in accordance with the Accounting Principles including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors; and
- (c) any other information required by the Swedish Securities Markets Act (lag (2007:582) om värdepappersmarknaden) or the Norwegian Securities Trading Act (lov av 29. juni 2007 nr. 75 om verdipapirhandel), as applicable, and in any event the rules and regulations of the Regulated Market on which any Notes are admitted to trading.

8.4.2 The Issuer shall, without undue delay, notify the Noteholders and each Dealer upon becoming aware of the occurrence of a Change of Control Event or an Event of Default. Such notice shall be made by way of a press release and may be given in advance of the occurrence of a Change of Control Event and be conditional upon the occurrence thereof, if a definitive agreement is in place providing for such Change of Control Event. Should any Dealer not receive such information, it is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that such Dealer does not have actual knowledge of such event or circumstance.

#### 8.5 **Publication of Conditions**

The Conditions applicable for each Note outstanding shall be available on the website of the Issuer.

### 9. **ACCELERATION OF THE NOTES**

9.1 The Administrative Agent shall, (i) following a request in writing from a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Loan Amount under a Loan (such a request can only be made by Noteholders registered in the relevant CSD Account on the Business Day occurring immediately after the date that the request was received by the Administrative Agent and must, if made by several Noteholders, be made jointly), or (ii) following a resolution at a Noteholders' Meeting for a Loan, on behalf of the Noteholders by notice to the Issuer, declare all, but not some only, of the outstanding Notes under such Loan due and payable together with any other amounts payable under the Loan, immediately or at such later date as the Administrative Agent or Noteholders' Meeting determines, if:

- (a) the Issuer does not pay on the due date any amount payable by it under any Loan, unless the non-payment:
  - (i) is caused by technical or administrative error; and
  - (ii) is remedied within five (5) Business Days from the due date;
- (b) the Issuer does not comply with any terms, or acts in violation, of the Conditions of the relevant Loan (other than those terms referred to in paragraph (a) above), unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within fifteen (15) Business Days of the earlier of (A) the Administrative Agent giving notice thereof to the Issuer and (B) the Issuer becoming aware of the non-compliance;

- (c) the Conditions for the relevant Loan becomes invalid or ineffective, in whole or in part (other than in accordance with the provisions of such Conditions), and such invalidity or ineffectiveness is materially prejudicial to the interests of the Noteholders;
- (d) any corporate action, legal proceedings or other procedure or step (unless vexatious or frivolous, disputed in good faith and discharged within thirty (30) Business Days) is taken in relation to:
  - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution or administration of the Issuer or a Material Subsidiary;
  - (ii) a composition, or arrangement with any creditor of the Issuer (other than the Noteholders) or a Material Subsidiary; or
  - (iii) the appointment of a liquidator, administrator or other similar officer in respect of the Issuer, a Material Subsidiary, or any of its assets,

in each case other than in connection with a solvent liquidation or solvent reorganisation of a Material Subsidiary;

- (e) any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset of the Issuer or a Material Subsidiary which is material to its business and not discharged within thirty (30) Business Days, or any Security over any asset of the Issuer or a Material Subsidiary which is material to its business is enforced; or
- (f) any financial indebtedness of the Issuer or a Material Subsidiary is not paid when due nor within any applicable grace period, or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this paragraph (f) if the aggregate amount of financial indebtedness referred to herein is less than SEK 50,000,000.

- 9.2 The Administrative Agent may not accelerate Notes in accordance with Clause 9.1 by reference to a specific Event of Default if it is no longer continuing or if it has been decided at a Noteholders' Meeting to waive such Event of Default (temporarily or permanently).
- 9.3 If the Noteholders instruct the Administrative Agent to accelerate Notes, the Administrative Agent shall promptly declare the Notes due and payable and take such actions as may, in the opinion of the Administrative Agent, be necessary or desirable to enforce the rights of the Noteholders under the Conditions, unless the relevant Event of Default is no longer continuing.
- 9.4 In the event of an acceleration of Notes in accordance with this Clause 9 (*Acceleration of the Notes*), up to, but excluding the Final Maturity Date, the Issuer shall redeem all Notes at an amount per Note equal to 100 per cent. of the Nominal Amount, together with accrued but unpaid interest.

## **10. NOTEHOLDERS' MEETING**

- 10.1 The Administrative Agent may and shall, at the request of (i) another Issuing House with respect to a Loan, (ii) the Issuer or (iii) Noteholders that at the time of such request represent at least ten (10) per cent. of the Adjusted Loan Amount under that Loan (such a request can only be made by Noteholders entered in the CSD Account on the Business Day occurring immediately after the date that the request was received by the Administrative Agent and must, if made by a number of Noteholders, be made jointly) convene a Noteholders' Meeting for the Noteholders under the relevant Loan.
- 10.2 The Administrative Agent shall convene a Noteholders' Meeting by sending notice of this to each Noteholder and the Issuer within five (5) Business Days of having received a request from an Issuing House, the Issuer or Noteholders as described in Clause 10.1 (or a later date if this is required for technical or administrative reasons). The Administrative Agent shall also, without delay, inform each Issuing House and the IPA in writing about such notice.
- 10.3 The Administrative Agent may refrain from convening a Noteholders' Meeting if (i) the proposed decision has to be approved by any party in addition to the Noteholders and this party has notified the Administrative Agent that such approval will not be given, or (ii) the proposed decision is not compatible with applicable law.

- 10.4 The notice of the meeting described in Clause 10.2 shall include (i) time for the meeting, (ii) place for the meeting, (iii) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights, (iv) a form of power of attorney, and (v) the agenda for the meeting. The background and contents of each proposal as well as any applicable conditions and conditions precedent shall be set out in the notice in sufficient detail. If a proposal concerns an amendment to the Conditions, such proposed amendment must always be set out in precise detail. Only matters that have been included in the notice may be decided on at the Noteholders' Meeting. Should prior notification by the Noteholders be required in order to attend the Noteholders' Meeting, such requirement shall be included in the notice.
- 10.5 The Noteholders' Meeting shall be held on a date that is between ten (10) and thirty (30) Business Days after the date of the notice of the meeting. Noteholders' Meetings for several Loans under the Programme may be held on the same occasion.
- 10.6 Without deviating from the provisions of these General Terms and Conditions, the Administrative Agent may prescribe such further provisions relating to the convention of and holding of the Noteholders' Meeting as it considers appropriate. Such provisions may include, among other things, the possibility of Noteholders voting without attending the meeting in person or that electronic voting or a written procedure shall be used.
- 10.7 Only a person who is, or who has been provided with a power of attorney in accordance with Clause 11 (*Right to act on behalf of Noteholders*) by someone who is, a Noteholder on the Record Date for the Noteholders' Meeting may exercise voting rights at such Noteholders' Meeting, provided that the relevant Notes are included in the Adjusted Loan Amount. The Administrative Agent has the right to attend, and shall in each case ensure that an extract from the debt register (*skuldbok*) kept by Euroclear or the securities depository kept by VPS, as relevant, as at the Record Date for the Noteholders' Meeting, is available at the Noteholders' Meeting.
- 10.8 The meeting shall be initiated by the appointment of a chairman. The Administrative Agent shall appoint the chairman unless the Noteholders' Meeting decides differently. Representatives and advisors of the Noteholders, the Administrative Agent and the Issuer have the right to participate at the Noteholders' Meeting. The Noteholders' Meeting may decide that the Issuer and the representatives and advisors of the Issuer may only participate in a part or parts of the meeting. A transcript of the debt register (*skuldbok*) that is kept by Euroclear and relevant for determining Noteholders eligible to exercise voting rights shall be available at the Noteholders' Meeting. The chairman shall compile a list of present Noteholders with voting rights that includes information on the share of the Adjusted Loan Amount that each Noteholder represents ("**voting list**"). The voting list shall be approved by the Noteholders' Meeting. Only persons who on the Record Date for the Noteholders' Meeting were Noteholders, or who have been authorised in accordance with Clause 11 (*Right to act on behalf of Noteholders*) by persons who were Noteholders on the Record Date, may exercise voting rights at the Noteholders' Meeting, provided that the relevant Notes are included in the Adjusted Loan Amount, and only such Noteholders and authorised persons, as applicable, shall be included in the voting list.
- 10.9 The chairman shall ensure that minutes are kept at the Noteholders' Meeting. The minutes shall include notes as to the participants, the issues dealt with, the voting results and the decisions that were made. The minutes shall be signed by the chairman and at least one person appointed at the Noteholders' Meeting to approve the minutes and shall thereafter be delivered to the Administrative Agent. The minutes shall be available at the Issuer's website no later than five (5) Business Days after the Noteholders' Meeting. New or revised General Terms and Conditions or Final Terms shall be appended to the minutes and sent to Euroclear by the Administrative Agent or by any party appointed by the Administrative Agent.
- 10.10 Decisions on the following matters require the approval of Noteholders representing at least ninety (90) per cent. of that part of the Adjusted Loan Amount for which Noteholders are voting under the relevant Loan at the Noteholders' Meeting:
- (a) a change of Maturity Date, reduction of Nominal Amount, changes in terms relating to interest or amount to be repaid (other than in accordance with what is stated in the Conditions) and change in the specified Currency of the Loan;
  - (b) a transfer by the Issuer of its rights and obligations under the Loan;

- (c) a change to the terms of this Clause 10 (Noteholders' Meeting); and
  - (d) a mandatory exchange of Notes for other securities.
- 10.11 Matters that are not covered by Clause 10.10 require the approval of Noteholders representing more than fifty (50) per cent of that part of the Adjusted Loan Amount for which Noteholders are voting under the relevant Loan at the Noteholders' Meeting. This includes, but is not limited to, changes to and waivers of rights related to the Conditions that do not require a greater majority (other than changes as described in Clause 12 (*Changes to terms, etc.*)).
- 10.12 A Noteholders' Meeting is quorate if Noteholders representing at least fifty (50) per cent of the Adjusted Loan Amount under the relevant Loan in respect of a matter in Clause 10.10 and otherwise twenty (20) per cent of the Adjusted Loan Amount under the relevant Loan are present at the meeting either in person or via an authorised representative, or in each case, as has been decided by the Administrative Agent pursuant to Clause 10.6.
- 10.13 If a Noteholders' Meeting is not quorate the Administrative Agent shall convene a new Noteholders' Meeting (in accordance with Clause 10.2) unless the relevant proposal has been withdrawn by the party or parties that initiated the Noteholders' Meeting. The requirement of a quorum in Clause 10.12 shall not apply at such new Noteholders' Meeting. If the Noteholders' Meeting has met the quorum requirement for certain but not all matters which are to be decided on in the meeting, decisions shall be made in those matters for which a quorum is present whereas any other matters shall be referred to a new Noteholders' Meeting.
- 10.14 A decision at a Noteholders' Meeting that extends obligations or limits rights of the Issuer or an Issuing House under the Conditions shall also require the approval of the party concerned.
- 10.15 A Noteholder that holds more than one Note is not required to vote for all the Notes it holds and is not required to vote in the same way for all the Notes it holds.
- 10.16 The Issuer may not, directly or indirectly, pay or contribute to payment being made to any Noteholder in order that this Noteholder will give its approval under the Conditions unless such payment is offered to all Noteholders that give their approval at a relevant Noteholders' Meeting.
- 10.17 A decision made at a Noteholders' Meeting is binding on all Noteholders under the relevant Loan irrespective of whether they are represented at the Noteholders' Meeting. Noteholders that do not vote for a decision shall not be liable for losses that the decision causes to other Noteholders.
- 10.18 The Administrative Agent's reasonable costs and expenses occasioned by a Noteholders' Meeting, including reasonable payment to the Administrative Agent, shall be borne by the Issuer.
- 10.19 At the Administrative Agent's request, the Issuer shall without delay provide the Administrative Agent with a certificate stating the Nominal Amount for Notes held by members of the Group on the relevant Record Date prior to a Noteholders' Meeting, irrespective of whether such entities are registered by name as Noteholders of Notes. The Administrative Agent shall not be responsible for the content of such a certificate or otherwise be responsible for establishing whether a Note is held by a member of the Group.
- 10.20 Information on decisions taken at a Noteholders' Meeting shall be notified without delay to the Noteholders under the relevant Loan in accordance with Clause 14 (*Notices*). At the request of a Noteholder the Administrative Agent shall provide the Noteholder with minutes of the relevant Noteholders' Meeting. However, failure to notify the Noteholders as described above shall not affect the validity of the decision.

## **11. RIGHT TO ACT ON BEHALF OF NOTEHOLDERS**

- 11.1 If a party other than a Noteholder wishes to exercise a Noteholder's rights under the Conditions or to vote at a Noteholders' Meeting, such person shall be able to produce a proxy form or other authorisation document issued by the Noteholder or a chain of such proxy forms and/or authorisation documents from the Noteholder.
- 11.2 A Noteholder may authorise one or more parties to represent the Noteholder in respect of certain or all Notes held by the Noteholder. Such authorised party may act independently.

**12. CHANGES TO TERMS, ETC.**

- 12.1 The Issuer and the Dealers may agree on adjustments to correct any clear and manifest error in these General Terms and Conditions.
- 12.2 The Issuer and the Administrative Agent may agree on adjustments to correct any clear and manifest error in the Final Terms of a specific Loan.
- 12.3 A new dealer may be engaged by agreement between the Issuer and the dealer in question and the Dealers. A Dealer may step down as a Dealer, but an Administrative Agent in respect of a specific Loan may not step down unless a new Administrative Agent is appointed in its place.
- 12.4 The Issuer, the Dealers and the IPA may agree to replace the IPA with another Account Operator as issuing and paying agent.
- 12.5 Amendments to or concession of Conditions in cases other than as set out in Clauses 12.1–12.4 shall take place through a decision at a Noteholders' Meeting as described in Clause 10 (*Noteholders' Meeting*).
- 12.6 Approval at a Noteholders' Meeting of an amendment to the terms may include the objective content of the amendment and need not contain the specific wording of the amendment.
- 12.7 A decision on an amendment to the terms shall also include a decision on when the amendment is to take effect. However, an amendment shall not take effect until it has been registered with the relevant CSD (where relevant) and published on the Issuer's website.
- 12.8 The amendment or concession of terms as described in this Clause 12 (*Changes to terms, etc.*) shall be promptly notified by the Issuer to the Noteholders in accordance with Clause 14 (*Notices*).

**13. PRESCRIPTION**

- 13.1 Claims for the repayment of principal shall be prescribed and become void ten (10) years after the Maturity Date. Claims for the payment of interest shall be prescribed and become void three (3) years after the relevant Interest Payment Date. Upon prescription, the Issuer shall be entitled to keep any funds that may have been reserved for such payments.
- 13.2 If the prescription period is duly interrupted in accordance with the Swedish Limitations Act (*preskriptionslagen (1981:130)*) a new prescription period of ten (10) years will commence for claims in respect of principal and three (3) years for claims in respect of interest amounts, in both cases calculated from the day indicated by provisions laid down in the Swedish Limitations Act concerning the effect of an interruption in the limitation period.

**14. NOTICES**

- 14.1 Notices shall be provided to Noteholders for the relevant Loan at the address registered with the relevant CSD on the Business Day before dispatch. A notice to the Noteholders shall also be published by means of a press release and published on the Issuer's website.
- 14.2 Notices to the Issuer or the Dealers shall be provided at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Business Day before dispatch.
- 14.3 A notice to the Issuer or Noteholders in accordance with the Conditions that is sent by standard post shall be deemed to have been received by the recipient on the third Business Day after dispatch and notices sent by courier shall be deemed to have been received by the recipient when delivered to the specified address.
- 14.4 In the event that a notice is not sent correctly to a certain Noteholder the effectiveness of notices to other Noteholders shall be unaffected.

**15. LIMITATION OF LIABILITY ETC.**

- 15.1 With regards to the obligations imposed on the Dealers and the IPA, respectively, the Dealers and the IPA, as applicable, shall not be held liable for any losses arising out of any Swedish or foreign legal enactment, or any measure undertaken by a Swedish or foreign public authority, or war, strike, blockade, boycott, lockout or any other similar circumstance. The reservation in respect of strikes,

blockades, boycotts and lockouts applies even if the party concerned itself takes such measures or is subject to such measures.

- 15.2 Losses arising in other cases shall not be compensated by a Dealer or the IPA if the relevant entity has exercised due care. In no case shall compensation be paid for indirect losses.
- 15.3 Should a Dealer or the IPA not be able to fulfil its obligations under these Conditions due to any circumstance set out in Clause 15.1, such action may be postponed until the obstacle has been removed.
- 15.4 The aforesaid shall apply unless otherwise provided in the Swedish Financial Instruments Accounts Act or the Norwegian Securities Register Act, as applicable.

**16. APPLICABLE LAW AND JURISDICTION**

- 16.1 The Conditions shall be governed by Swedish law.
- 16.2 Disputes shall be settled by Swedish courts. Stockholm District Court (*Stockholms tingsrätt*) shall be the court of first instance.

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We hereby confirm that the above General Terms and Conditions are binding upon us.

Stockholm 16 October 2018

**KLARNA BANK AB (publ)**

## FORM OF FINAL TERMS

### FINAL TERMS

#### for Loan No. [•]

#### under Klarna Bank AB (publ)'s Swedish medium term note programme

The following are the final terms and conditions (“**Final Terms**”) of Loan No. [•], (the “**Loan**”) that Klarna Bank AB (publ) (the “**Issuer**”) issues in the capital market.

The Loan shall be subject to the general terms and conditions dated [date] (the “**General Terms and Conditions**”) set out in the Issuer’s base prospectus for the issuance of medium term notes, dated [date] (the “**Prospectus**”) [as supplemented on [•]], and the Final Terms set out below. Words and expressions not defined in the Final Terms shall have the meaning set out in the General Terms and Conditions.

This document constitutes the Final Terms for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus [as supplemented]. Full information on the Issuer and the offer of the Loan is only available on the basis of the combination of these Final Terms, the Prospectus [as supplemented] and any documents incorporated therein by reference. These documents are available via [www.klarna.com](http://www.klarna.com).

[These Final Terms replace the Final Terms dated [•] whereby the total Nominal Amount is set to [•]].

#### Terms and conditions for the Loan

1.	<b>Loan no:</b> (i) Tranche:	[•] [•]
2.	<b>Total Nominal Amount</b> (i) for the Loan in total: (ii) for the tranche: (iii) for earlier tranches:	[•] [•] [Tranche [number]: [•]]
3.	<b>Nominal Amount per Note:</b>	[•] [Not less than EUR 100,000 or the equivalent.]
4.	<b>Price per Note:</b>	[•]% of the Nominal Amount per Note [plus accrued interest from and including [•]]
5.	<b>Currency:</b>	[EUR] [NOK] [SEK]
6.	<b>Interest Commencement Date:</b>	[Issue Date] [Specify other Interest Commencement Date]
7.	<b>Issue Date:</b>	[•]
8.	<b>Maturity Date:</b>	[•]
9.	<b>Voluntary redemption of Notes by the Issuer:</b>	<p>[Applicable / Not applicable] [If not applicable, delete the remaining sub-paragraphs of this paragraph.]</p> <p>The Issuer may redeem all, or some only, of the outstanding Notes:</p> <p>[[ (i) ] at any time from and including [the first Business Day falling [•] ([•])[months/days] after the Issue Date] / [•] to, but excluding, [the Maturity Date] / [•] at an amount per Note equal to [•] per cent. of the Nominal Amount, together with accrued but unpaid interest;][and/or]</p> <p>[[ (i) ] / [(ii) ] at any time from and including the first Business Day falling [•] ([•]) [months/days] prior to the</p>

		Maturity Date to, but excluding, the Maturity Date, at an amount equal to 100 per cent. of the Nominal Amount together with accrued but unpaid interest]]
10.	<b>Type of interest rate:</b>	[Fixed interest rate] [Floating interest rate]

11.	<b>Additional terms and conditions for Loans with fixed interest rate</b>	[Applicable] [Not applicable] [ <i>If not applicable, delete the remaining sub-paragraphs of this paragraph.</i> ]
	(i) Interest Rate:	[[•] % per annum]
	(ii) Interest Payment Date(s):	[•]
	(iii) Interest Period:	The first Interest Period runs from [and including / but excluding] [•] to and [and including / but excluding] [•], and thereafter from [and including / but excluding] one Interest Payment Date to and [and including / but excluding] the next Interest Payment Date

12.	<b>Additional terms and conditions for Loans with floating interest rate</b>	[Applicable] [Not applicable] [ <i>If not applicable, delete the remaining sub-paragraphs of this paragraph.</i> ]
	(i) Interest Base:	[•] month(s) [EURIBOR] [NIBOR] [STIBOR]
	(ii) Margin:	[+/-][•] percentage points
	(iii) Interest Determination Date:	[Two] Banking Days prior to the first day of each Interest Period, beginning on [•]
	(iv) Interest Period:	The first Interest Period runs from [and including / but excluding] [•] to and [and including / but excluding] [•], and thereafter from [and including / but excluding] one Interest Payment Date to and [and including / but excluding] the next Interest Payment Date
	(v) Interpolation:	[Not applicable] [The Interest Base applicable to the interest paid on the [first / last] Interest Payment Date shall be subject to linear interpolation between [•] month(s) [EURIBOR] [NIBOR] [STIBOR] and [•] month(s) [EURIBOR] [NIBOR] [STIBOR]].
	(vi) Interest Payment Date(s):	[•]

#### Other information

13.	<b>Expected rating for Loan on Issue Date:</b>	[Not applicable][•]
14.	<b>Issuing House(s):</b>	[•] [ <i>If only one tranche, delete the remaining sub-paragraphs of this paragraph.</i> ]
	(i) for the tranche:	[•]
	(ii) for earlier tranches:	[•]
15.	<b>Administrative Agent:</b>	[•]
16.	<b>ISIN code:</b>	[•]

17.	<b>Listing:</b>  (i) Regulated Market:  (ii) The estimated latest date on which the Notes will be admitted to trading:  (iii) Estimate of the total expenses related to the admission to trading:  (iv) Total number of Notes admitted to trading:	[Not applicable] [Applicable] [ <i>If not applicable, delete the remaining sub-paragraphs of this paragraph.</i> ]  [•]  [Specify details] [Not applicable]  [Specify details] [Not applicable]  [•]
18.	<b>Resolutions as basis for the issuance:</b>	[Specify details] [Not applicable]
19.	<b>Interests:</b>	[Specify details] [Not applicable]  [ <i>If applicable, describe interests of individuals and legal entities involved in the issuance as well as a record of all interests and possible conflicts of interests of importance to the issuance together with records of those involved and the nature of the interest.</i> ]
20.	<b>Information from third parties:</b>	[Information in these Final Terms originating from third parties has been reproduced accurately and, as far as the Issuer knows and can ascertain based on comparisons with other information published by relevant third parties, no information has been omitted in a way that may lead to the reproduced information being incorrect or misleading. The sources for such information are [•].] [Not applicable]

We hereby confirm that the above Final Terms are applicable to Loan No. [•] together with the General Terms and Conditions and undertake to repay the Loan and to pay interest in accordance herewith. We confirm that any material event after the date of the Prospectus that could affect the market's assessment of the Loan and the Issuer have been made public.

Stockholm, [•]

**KLARNA BANK AB (publ)**

## DESCRIPTION OF THE ISSUER

### General information on the Issuer and the Group

#### The Issuer

The Issuer's legal and commercial name is Klarna Bank AB (publ) with Swedish Reg. No. is 556737-0431 and Legal Entity Identifier 54930003HXYXXUHR0897. The registered office of the Issuer is located at Sveavägen 46, SE-111 34 Stockholm, Sweden. The Issuer was incorporated in Sweden on 21 August 2007 and registered with the Swedish Companies Registration Office (*Bolagsverket*) on 5 September 2007. The Issuer is a joint-stock banking company (*publikt bankaktiebolag*). Pursuant to clause 3 of the Articles of Association of the Issuer, the business purpose of the Issuer is (a) such activities as permitted by Chapter 1, Section 3 of The Banking and Finance Business Act (2004:297) and (b) financial and other activities that are related to such activities as permitted under (a) above.

Under its current articles of association, the Issuer's share capital shall be not less than SEK 25,000,000 and not more than SEK 100,000,000, divided into not fewer than 100,000 shares and not more than 400,000 shares. The Issuer has only one class of shares. The Issuer's registered share capital is SEK 52,752,000, represented by 157,000 shares. Each share has a quota value of SEK 336.

#### Regulatory history of the Issuer

On 26 May 2009, the Issuer was granted a licence as a credit market company (*kreditmarknadsbolag*) to conduct financing business under the Swedish Banking and Financing Business Act (*lag (2004:297) om bank- och finansieringsrörelse*), and on 19 June 2017, the Issuer was granted a licence to conduct banking business. In connection with this, the Issuer changed its name from Klarna AB to Klarna Bank AB. The banking licence is expected to strengthen the Issuer's brand and broaden its product portfolio in Europe.

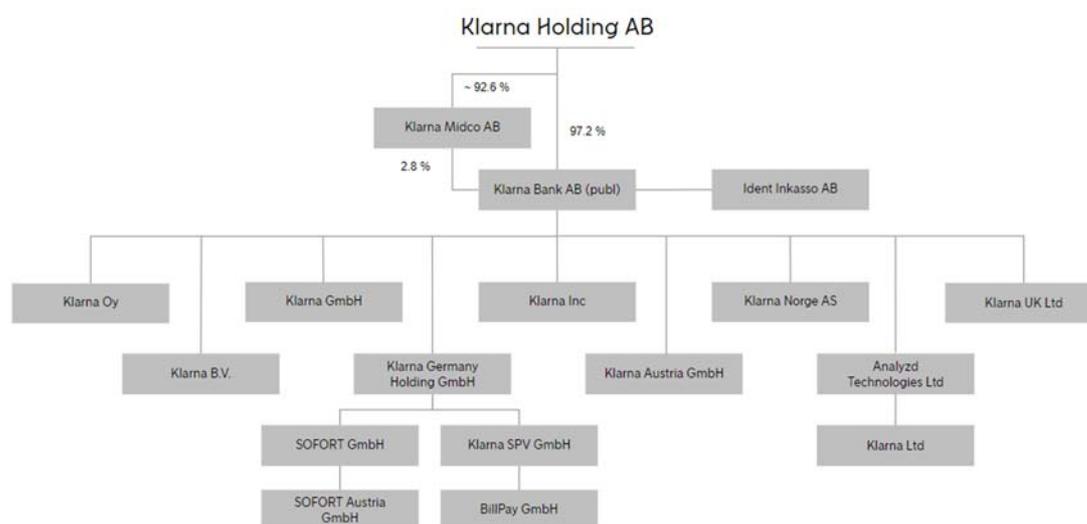
#### Main activities

The Issuer is a payment solutions provider across Europe and North America, whose business primarily comprises payment solutions and consumer lending products designed specifically for the online environment. The Issuer's revenues are generated from both online merchants and consumers.

As at 31 December 2017, the Group was active in 18 markets and employed more than 1,500 employees.

#### Legal structure of the Group

The Issuer is part of a corporate group for which Klarna Holding AB is the ultimate parent. The sole purpose of Klarna Holding AB is to directly or indirectly own the shares in the Issuer. The Group operates through the Issuer and its direct or indirect subsidiaries. The Group structure as at the date of this Base Prospectus is illustrated in the organisational chart below.



All shareholdings are 100 % if not indicated otherwise.  
~7.4 % in Klarna Midco AB are held by various shareholders.

**Klarna.**

## Principal Shareholders

The largest shareholders in Klarna Holding AB as at 30 June 2018 were:

Name of shareholder	Percentage of votes and share capital (rounded)
Funds advised by Sequoia Capital	25 %
Brightfolk A/S	13 %
Victor Jacobsson (directly and indirectly)	13 %
Kool Investment LP	13 %
Sebastian Siemiatkowski (directly and indirectly)	10 %
Niklas Adalberth (directly and indirectly)	5 %
<b>Total</b>	<b>79 %</b>

## Relevant legislation

The Issuer is a public joint-stock banking company (*publikt bankaktiebolag*) regulated by the Swedish Companies Act (*aktiebolagslagen (2005:551)*), the Swedish Banking and Financing Business Act (*lag (2004:297) om bank- och finansieringsrörelse*) and its articles of association. As a banking company, the Issuer is subject to the supervision of the Swedish FSA and regulated by, *inter alia*, the Swedish Deposit Insurance Act (*lag (1995:1571) om insättningsgaranti*) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (*lag (1995:1559) om årsredovisning i kreditinstitut och värdepappersbolag*) as well as Regulations and General Guidelines issued by the SFSA and Guidelines issued by the European Banking Authority.

The Issuer is further subject to the provisions set forth in the CRR, and in the Swedish Supervision of Credit and Investment Firms Act (*lag (2014:968) om särskild tillsyn över kreditinstitut och värdepappersbolag*) and the Swedish Act on Capital Buffers (*lag 2014:966) om kapitalbuffertar*) which implement CRD IV.

The capital adequacy requirements are measured both on the level of the Issuer and on the consolidated situation which the Issuer reports to the Swedish FSA, consisting, as of 31 December 2017, of Klarna Holding AB, Klarna Bank AB, Klarna Oy, Klarna B.V., Klarna GmbH, Klarna Germany Holding GmbH, Sofort GmbH (“Sofort”), Sofort Austria GmbH, Klarna SPV GmbH, BillPay GmbH, Klarna Inc., Klarna Austria GmbH, Klarna Norge AS, Analyzd Technologies Ltd., Klarna Ltd., Klarna UK Limited and Ident Inkasso AB.

In addition to laws and official regulations, Klarna has a number of internal governing documents that govern the day-to-day management of the company. These are on policy level adopted by the board of directors and on instruction level by the CEO or relevant head of the responsible division and include, *inter alia*, a Finance policy, Credit policy, Risk policy, Conflicts of interest policy, Privacy, data protection and data retention policy, Anti-money laundering and counter terrorist financing policy, Internal capital and liquidity adequacy assessment process policy and Outsourcing instruction and Anti-Corruption instruction.

## Business operations

Klarna has developed a complementary product offering aimed at reducing friction for consumers purchasing online, which in turn adds value for merchants by increasing purchase conversion, average order value, level of sales and overall consumer experience. The merchant offering is made up by three main products; Klarna Checkout (“KCO”), Klarna Payment Methods (“KPM”) and Klarna Payments (“KP”).

KPM is Klarna’s first product offering and was created to make it simpler and safer for merchants and consumers when selling/purchasing online. KPM is integrated as part of a merchant’s checkout page, as additional payment methods. Through the KPM product Klarna offers its own invoice and account product (see section “Consumer products” for brand names of the products).

KCO manages the entire checkout process for a merchant. It is a checkout solution aimed at facilitating payments by the most popular methods in each market, including Klarna’s own invoice and account products as well as third party payment methods, such as debit and credit cards, and direct banking.

KP offers the merchant a selection of Klarna's payment options through an integrated checkout widget. It is not a complete checkout solution for the merchant as the KCO, however the presentation of Klarna's services are owned, controlled and optimized by Klarna. Thus being a combination of the offered payment options of KPM and how they are presented in the KCO.

Klarna contracts with the respective merchant for the provision of KCO. Under this agreement, Klarna agrees to provide payment methods requested by consumers. Merchants pay Klarna for the provision of KCO, as well as the assumption of fraud and credit risk where Klarna's credit products are used.

## Consumer products

Klarna's consumer products can be sub-divided into the following:

### Pay Later

Klarna's invoice product (called "**Pay Later**") offers the end customer a short, fixed period of time to settle their invoice. The period is usually 14 days but longer periods are also available.

End customers are credit assessed by Klarna using both internal and external data. A positive credit decision allows the respective customer to shop at a merchant connected to the Issuer while simultaneously receiving 14 days' credit term to pay for their goods or services. Klarna conducts factoring by acquiring the purchase price claim from the merchant as well as the terms agreed between the merchant and consumer. Such factoring services enable merchants to safely offer post-purchase payments in an online environment. Merchants, paid irrespective of whether the consumer pays, pay the Issuer for assuming the fraud and credit risk, whilst consumers pay Klarna reminder fees and interest in the event of delayed payment.

### Slice It

Klarna's account product (called "**Slice It**") offers the end customer the ability to settle their payment in either fixed instalments or flexible, discretionary amounts (subject to a minimum proportion of the outstanding amount each month).

With a similar contractual factoring arrangement to that for the invoice product, here Klarna extends credit to the respective customer in accordance with a personalised credit agreement. This enables consumers to finance purchases over a period of time, a key benefit when acquiring goods and services. The credit may either be interest bearing or interest free. Similarly to the invoice product, merchants pay Klarna for assuming the fraud and credit risk, whilst consumers pay Klarna for financing (for example start-up fees and interest) and delayed payment.

### Pay Now

Pay Now is Klarna's payment method for instantly settling the purchase by drawing funds directly from the consumer's bank account. The consumer authorises the purchase either via BankID or internet banking token, depending on the payment method and market. In this payment group Klarna offers the following payment methods.

*Klarna Direct:* payment from bank account. Sign-up authorisation with BankID in checkout. Recurring purchases with one-click throughout Klarna's merchant network.

*Direct Debit:* payment from bank account. Sign-up in checkout. Recurring purchases with one-click throughout Klarna's merchant network.

*Direct Banking:* payment from bank account. Consumer authorizes the settlement using their internet banking token.

*Sofort bank transfer:* Anonymous push payment from customer's bank account.

### Non Klarna

Klarna also processes so-called Non Klarna purchases, e.g., external direct banking where the consumer authorises the settlement using their internet banking token or card purchases through the major card schemes such as Visa, MasterCard and American Express. Klarna's risk exposure on card transactions is limited to technical issues, and certain cases of fraud and contested purchases (chargebacks) where neither the merchant nor the card network assumes responsibility.

## Business volumes

Yearly originated product volumes and number of transactions for the years 2013-2017 are summarised in the table below (rounded figures)<sup>1</sup>:

Year	Originated Pay Later and Slice It volumes (SEK bn)	Total transaction volumes (SEK bn)	Number of transactions (M)
2013	20	21	27
2014	28	61	78
2015	39	88	112
2016	55	126	168
2017	82	181	233

## New business operations

### Sofort

In 2014, the Issuer acquired the German third-party provider of online payment solutions Sofort. Sofort Banking is the direct payment method of Sofort. It allows end customers to directly and automatically initiate a credit transfer during their online purchase using their online banking details. The merchant receives real-time confirmation after successful placement of the transfer order. In August 2017, the Sofort Banking product was rebranded to Pay Now. This change affected Belgium, France, Italy, Spain, Poland, Hungary, Slovakia and The Czech Republic. In Austria, Germany and Switzerland the name changed to Sofort, which is part of the Pay Now consumer products range.

Klarna does not hold any money at any time for these Pay Now purchases – it does not provide any factoring or credit services. Klarna has a contractual relationship with the merchants, but does not guarantee the end customer's payment (unless this Payment method is included in the KCO merchant product). Klarna simply confirms that the transfer order was successfully placed with the customer's bank account. This payment service provides an easy and secure way for customers to pay for goods or services without opening an additional online payment account. Merchants pay a fee for each transaction completed via Pay Now.

### BillPay

In February 2017, the Issuer's indirect subsidiary, Klarna SPV GmbH, announced the acquisition of the German online payment company, BillPay GmbH ("**BillPay**"). Prior to the acquisition, BillPay was a competitor of Klarna, offering similar payment facilitation solutions with the ability to pay through invoice, instalments or direct debit. Since BillPay offers similar products to Klarna, with differences only relating to specific product terms, Klarna's overall product categorization applies also to BillPay products. The acquisition completed on 13 September 2017.

### Close Brothers Retail Finance

In September 2018, Klarna signed an agreement to acquire the assets of Close Brothers Retail Finance ("**CBRF**"). Founded in 2014, CBRF has established itself as a highly regarded provider of omnichannel retail finance with over 600 active merchants in the United Kingdom. The closing of the transaction is subject to approval by the SFSA.

## Liquidity and Funding

The Issuer has a stable and diverse funding platform, with a maturity structure broadly matched to its assets and liabilities. Immediately prior to the date of this Base Prospectus, the Issuer's funding was split between equity, Additional Tier 1 and Tier 2 instruments, senior unsecured bonds, largely undrawn bank facilities and deposits in both Sweden and Germany with varying maturities.

<sup>1</sup> Information extracted from internal unaudited management accounts.

## Board of Directors

The Board of Directors of the Issuer consists of seven ordinary members. The table below sets out the name and position of each board member as of the date of this Base Prospectus.

<b>Name</b>	<b>Position</b>
Jonathan Kamaluddin	Chairman
Sebastian Siemiatkowski	CEO
Sarah McPhee	Member
Michael Moritz	Member
Niklas Savander	Member
Mikael Walther	Member
Andrew Young	Member

### Jonathan Kamaluddin

*Born in 1973. Non-Executive Chairman of the Board.*

**Principal education:** Civil Engineering degree, University of Bristol, 1995 and Fellow of the Institute of Chartered Accountants of England and Wales.

**Other on-going principal assignments:** Advisor to Felix Capital Partners LLP, member of the boards of Klarna Holding AB, BCA Marketplace Plc., and Farfetch LTD, a Cayman Islands registered NYSE listed entity, and board observer in PeopleVox Ltd.

### Sebastian Siemiatkowski

*Born in 1981. Chief Executive Officer.*

**Principal education:** Master of Science, M.Sc. (Economics and Business) Stockholm School of Economics, 2007.

**Other on-going principal assignments:** Board member and CEO in Klarna Holding AB, chairman or board member of various Group Companies, chairman in Advisory Board at SSE Business Lab.

### Sarah McPhee

*Born in 1954. Non-Executive Director.*

**Principal education:** Sc. in Economics, PhD student in mathematics, Stockholm School of Economics, 1984, M.A. Latin American Studies, Stanford University 1978, B.A Modern European History, Wesleyan University, USA, 1976 and Certificate of Political Studies, L'Institut d'Études Politiques, France, 1974.

**Other on-going principal assignments:** Board chair of Fourth AP-Fund and Centre for Business and Policy Studies (SNS), board member of Klarna Holding AB, Bure AB, Axel Johnson Inc., and chair of the board of Houdini Sportswear AB and Clusjion AB. CEO of McPhee Advisory Asset Management AB.

### Michael Moritz

*Born in 1954. Non-Executive Director.*

**Principal education:** M.A. in History, University of Oxford, 1976.

**Other on-going principal assignments:** Chairman and managing partner of Sequoia Capital, board member of Klarna Holding AB, LinkedIn Corporation, Sugar Inc., 24/7 Customer, Stripe Inc., Flipagram Inc., and Berkeley Lights Inc.

### Niklas Savander

*Born in 1962. Non-Executive Director.*

**Principal education:** M.Sc. (economics), Hanken School of Economics, 1989, and M.Sc. (engineering), Helsinki University of Technology, 1988.

**Other on-going principal assignments:** Venture Partner of Conor Venture Partners and Senior Advisor to Permira. Chairman of the Board of Cint AB, Zervant Oy, Fåntell AB, Marbjangal AB, Fåntell Oy and Waldemar von Frenckells Stiftelse. Board member of Klarna Holding AB, Doro AB and Urlus Stiftelsen and lead independent director and chairman of the remuneration committee as well as audit committee of Verne Global Ltd.

## **Mikael Walther**

*Born in 1981. Non-Executive Director.*

**Principal education:** M.Sc. in Economics and Business, Stockholm School of Economics, 2005. MSc. in Engineering Physics, KTH Royal School of Technology, 2004.

**Other on-going principal assignments:** Board member and Managing Director of Navos Capital AB and Dovern Advice AB, board member of Klarna Holding AB, Hedda Credit Fund I AB, AIFM Group AB and Rosfelt Holding AB.

## **Andrew Young**

*Born in 1978. Non-Executive Director.*

**Principal education:** Master in Business Administration, London Business School, 2011, and Bachelor of Business, University of Technology Sydney Australia, 1998.

**Other on-going principal assignments:** Principal at Permira Advisers LLP, board member of Klarna Holding AB and governor of London free school – Abacus Belsize Primary School.

## **Senior management team**

The Senior Management of the Issuer consist of a team of nine persons. The table below sets forth the name and current position of each member of the Senior Management.

<b>Name</b>	<b>Position</b>
Sebastian Siemiatkowski	CEO
Knut Frängsmyr	Deputy CEO and Chief Operating Officer
Michael Rouse	Chief Commercial Officer
David Fock	Chief Product Officer
Koen Köppen	Chief Information Officer
Camilla Giesecke	(acting) Chief Financial Officer
Warren Davidson	Chief Analytics Officer
David Sandström	Chief Marketing Officer

### **Sebastian Siemiatkowski**

*Born 1981. President & CEO. At Klarna since January 2005.*

**Principal education:** Master of Science, M.Sc. (Economics and Business) Stockholm School of Economics, Master.

### **Knut Frängsmyr**

*Born 1981. Deputy CEO and Chief Operating Officer. At Klarna since March 2012.*

**Principal education:** Master of Laws, Uppsala University.

**Michael Rouse**

*Born 1973. Chief Commercial Officer. At Klarna since June 2015.*

**Principal education:** MBA Business Administration and Management, University of Ulster.

**David Fock**

*Born 1977. Chief Product Officer. At Klarna since August 2010.*

**Principal education:** Stockholms hotell och restaurangskola.

**Koen Köppen**

*Born 1983. Chief Information Officer. At Klarna since February 2011.*

**Principal education:** Bachelor of Science, Amsterdam University of Applied Sciences.

**Camilla Giesecke**

*Born 1980. Acting Chief Financial Officer. At Klarna since February 2017.*

**Principal education:** M.Sc. Stockholm School of Economics.

**Warren Davidson**

*Born 1980. Chief Analytics Officer. At Klarna since May 2016.*

**Principal education:** Bachelor's in Finance, University of South Africa.

**David Sandström**

*Born 1983. Chief Marketing Officer. At Klarna since June 2017.*

**Principal education:** Master in Business & Administration, Communication, Handelshögskolan Institute.

**Additional information on the board and the management team****Business address**

The office address of the board of directors and the management team is the registered office of the Issuer.

**Conflicts of interest**

To the best of the Issuer's knowledge, no conflicts of interest exist between the private interests and other duties of the board members or the management team and their duties towards the Issuer.

**Auditors**

At the 2016 and 2017 annual general meetings, Ernst & Young Sweden AB was elected as auditor and Ernst & Young Sweden AB appointed Stefan Lundberg as auditor-in-charge of the Issuer. Stefan Lundberg is an authorised public accountant and member of FAR, the professional institute for accountants in Sweden. Prior to this, Öhrlings PricewaterhouseCoopers AB has been the auditor for the year 2015 and Anneli Granqvist was the auditor-in-charge of the Issuer for the year 2015. Anneli Granqvist is an authorised public accountant and member of FAR.

At the 2018 Annual General Meeting, Ernst & Young Sweden AB was re-elected as auditor of the Issuer for the period until the end of the Annual General Meeting 2019 and Ernst & Young Sweden AB appointed Jesper Nilsson as auditor-in-charge of the Issuer. Jesper Nilsson is an authorised public accountant and member of FAR.

The registered addresses of the current and historic auditors are as follows:

EY Sweden AB: Jakobsbergsgatan 24, 111 44 Stockholm, Sweden

Öhrlings PricewaterhouseCoopers AB: Torsgatan 21, SE 113 21 Stockholm, Sweden

## **MARKET AND INDUSTRY OVERVIEW**

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Klarna's business model allows consumers to receive the purchased goods first, and pay afterwards, with Klarna assuming credit and fraud risk for both merchants and consumers. Klarna's customers are both merchants and consumers shopping with these merchants. Its payment services offering is complementary as a product offering and in terms of customers served. Its credit products, for example, generate revenue from both merchant and end customer. Klarna is active on a number of international markets, having passported its banking licence from the Swedish FSA to various European markets. In addition, Klarna is active in the U.S.

An important driver of development of the Issuer's business is the size and growth of e-commerce. Other factors include economic growth, evolution of disposable incomes and unemployment.

There are a number of competitors that provide similar products in the countries where Klarna operates. Competitors are either active in the provision of checkout methods, in the supply of credit at checkout, or both. They can be broadly divided into two groups: technology-driven companies and traditional finance companies. The Issuer considers that technology-driven companies that have the size and the ability to provide credit are the Issuer's closest competitors. These include PayPal and Amazon.

There are however barriers to entry that make it difficult for new players to establish a presence on Klarna's markets. One of these is the strict and complex rules and regulations for banks, which require would-be competitors to make large financial and human capital investment in legal, compliance and finance functions. The ability to make instant credit assessments, which necessitates complex models, requiring not only access to extensive historical performance information, but also time and experience of lending, is another barrier to entry. The risk of making incorrect credit decisions is higher when a player establishes a presence on a new market without previous experience or historical results on which to base itself. Finally, new players may have limited access to funding due to their limited history with regard to credit assessment, financial stability and compliance with regulatory capital requirements. Establishing a new player therefore requires a significant contribution of capital, leading to low return on equity until more efficient funding has been obtained.

## LEGAL AND SUPPLEMENTARY INFORMATION

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### Authorisations and responsibility

The decision to establish the Programme was authorised by a resolution of the Board of Directors of the Issuer on 4 October 2018.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Board of Directors of the Issuer is, to the extent provided by law, responsible for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Arranger and the Dealers have not verified the content of this Base Prospectus and do not assume any responsibility therefor.

### Incorporation by reference

The following information has been incorporated into this Base Prospectus by reference and should be read as part of this Base Prospectus:

<b>The Issuer's annual report for 2015</b>	as regards the audited consolidated financial information on page 6 for income statement, page 7 for the balance sheet, page 12 for the cash flow statement, page 8 for changes in equity capital and pages 13-48 for notes to the income statement and notes to the balance sheet.
<b>The audit report for the 2015 annual report</b>	in its complete form.
<b>The Issuer's annual report for 2016</b>	as regards the audited consolidated financial information on page 6 for income statement, page 7 for the balance sheet, page 12 for the cash flow statement, page 8 for changes in equity capital and pages 13-56 for notes to the income statement and notes to the balance sheet.
<b>The audit report for the 2016 annual report</b>	in its complete form.
<b>The Issuer's annual report for 2017</b>	as regards the audited consolidated financial information on page 6 for income statement, page 7 for the balance sheet, page 9 for the cash flow statement, page 8 for changes in equity capital, pages 10-51 for notes to the income statement and notes to the balance sheet and pages 62-63 for the audit report.
<b>The Issuer's interim report for the first half of 2018</b>	as regards the unaudited consolidated financial information on page 6 for income statement, page 7 for the balance sheet, page 9 for the cash flow statement, page 8 for changes in equity capital, pages 14-39 for notes to the income statement and notes to the balance sheet and page 42 for the review report.
<b>Each of the Issuer's quarterly capital adequacy reports from Q1 2015 to Q2 2018</b>	in their complete form.

The information referred to above is available for inspection at: [www.klarna.com/se/bolagsstyrning/investor-relations/](http://www.klarna.com/se/bolagsstyrning/investor-relations/).

Information in the above documents which is not incorporated by reference is either deemed by the Issuer not to be relevant for investors in Notes or is covered elsewhere in the Base Prospectus.

The Issuer's annual reports for 2015, 2016 and 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary

rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) of the Swedish Financial Reporting Board have been applied. With the exception of the annual reports and the interim report, no information in this Base Prospectus has been audited or reviewed by the Issuer's auditor.

### **Documents available for inspection**

Copies of the following documents can be obtained in paper format during the validity period of the Base Prospectus from the Issuer at Sveavägen 46, 111 34 Stockholm, Sweden:

- (a) The certificate of registration and the articles of association of the Issuer.
- (b) All documents which are incorporated by reference into this Base Prospectus.
- (c) The Annual Reports of the operating subsidiaries of the Issuer (including auditor's reports) for the financial years 2015, 2016 and 2017.

### **Certain material interests**

Nordea Bank Abp, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) are Dealers under the Programme and Nordea Bank Abp, is Arranger. The Dealers and the Arranger (and closely related companies) have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer in the ordinary course of business. Therefore, conflicts of interest may exist or may arise as a result of the Dealers and the Arranger having previously engaged, or in the future engaging, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

### **Significant change**

There has been no significant change of the Issuer's financial or trading position since 31 December 2017.

### **Trend information**

There has been no material adverse change in the prospects of the Issuer since 31 December 2017.

### **Current disputes**

Neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant adverse effect on the financial position or profitability of the Issuer or the Group taken as a whole. Members of the Group are, however, parties to lawsuits and other disputes from time to time in the course of their normal operations.

### **Material agreements**

The Issuer has not concluded any material agreement outside of its ordinary course of business which may materially affect the Issuer's ability to fulfil its obligations under the Notes.

## ADDRESSES

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### The Issuer

#### **Klarna Bank AB (publ)**

##### **Postal address**

Sveavägen 46, 111 34 Stockholm, Sweden

##### **Visiting address**

Sveavägen 46, 111 34 Stockholm, Sweden

Telephone: +46 8 120 120 00

www.klarna.com

### Dealers

#### **Nordea Bank Abp**

##### **Postal address**

Smålandsgatan 17, 105 71 Stockholm, Sweden

##### **Visiting address**

Smålandsgatan 17, 105 71 Stockholm, Sweden

Telephone: +46 10 157 10 00

www.nordea.com/sv/

#### **Skandinaviska Enskilda Banken AB (publ)**

##### **Postal address**

Kungsträdgårdsgatan 8, 106 40 Stockholm, Sweden

##### **Visiting address**

Kungsträdgårdsgatan 8, 106 40 Stockholm, Sweden

Telephone: +46 8 506 232 20

www.seb.se

#### **Swedbank AB (publ)**

##### **Postal address**

Large Corporates & Institutions

105 34 Stockholm, Sweden

##### **Visiting address**

Malmskillnadsgatan 23, 111 57 Stockholm, Sweden

Telephone: +46 8 585 900 00

www.swedbank.com/svenska/index.htm

### Auditor to the Issuer

#### **Ernst & Young Sweden AB**

##### **Postal address**

P.O. Box 7850, 103 99 Stockholm, Sweden

##### **Visiting address**

Jakobsbergsgatan 24, 111 44 Stockholm, Sweden

Telephone: +46 8 520 590 00

www.ey.com/se/sv/home

### Legal Adviser to the Issuer

#### **Mannheimer Swartling Advokatbyrå**

##### **Postal address**

P.O. Box 1711, 111 87 Stockholm, Sweden

##### **Visiting address**

Norrlandsgatan 21, 111 43 Stockholm, Sweden

Telephone: +46 8 595 060 00

www.mannheimerswartling.se

### IPA

#### **Nordea Bank Abp, filial i Norge**

##### **Postal address**

P.O. Box 1166 Sentrum, 0107 Oslo, Norway

##### **Visiting address**

Essendrops gate 7, 0368 Oslo, Norway

Telephone: +47 23 20 60 02

www.nordea.no

### CSD

#### **Euroclear Sweden AB**

##### **Postal address**

P.O. Box 191, SE-101 23 Stockholm, Sweden

##### **Visiting address**

Klarabergsviadukten 63, 111 64 Stockholm, Sweden

Telephone: +46 8 402 90 00

www.euroclear.com/sweden/sv.html

### VPS

##### **Postal address**

P.O. Box 1174 Sentrum, NO-0107 Oslo, Norway

##### **Visiting address**

Fred. Olsens gate 1, 0152 Oslo, Norway

Telephone: +47 22 63 53 00

www.vps.no

**Klarna.**<sup>®</sup>

*Sveavägen 46, 111 34 Stockholm*

*[www.klarna.com](http://www.klarna.com)*