

This prospectus was approved by the Swedish Financial Supervision Authority on 5 December 2017.

Klarna®

Klarna Bank AB (publ)

Prospectus for the listing of

SEK 2,000,000,000 SENIOR UNSECURED FLOATING RATE NOTES

ISIN: SE0010413310

Joint Bookrunner and Issuing Agent

Nordea

Joint Bookrunner

Swedbank 

Important information

In this prospectus (the “**Prospectus**”), the “**Issuer**” means Klarna Bank AB (publ). 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. The “**Joint Bookrunners**” means Nordea Bank AB (publ) and Swedbank AB (publ).

“**Euroclear Sweden**” refers to Euroclear Sweden AB. “**Nasdaq**” refers to Nasdaq Stockholm AB. “**SEK**” refers to Swedish kronor, “**EUR**” refers to Euro and “**USD**” refers to U.S. dollars. “**M**” refers to million(s) and “**K**” refers to thousand(s).

Words and expressions defined in the terms and conditions of the Notes (the “**Terms and Conditions**”) beginning on page 30 have the same meanings when used in this prospectus, unless expressly stated or otherwise follows from the context.

Notice to investors

The Issuer has issued a total of 2,000 senior unsecured notes (the “**Notes**”) in the Total Nominal Amount of SEK 2,000,000,000 on 22 September 2017 (the “**Settlement Date**”). This Prospectus has been prepared for the listing of the Notes on Nasdaq. This Prospectus does not contain and does not constitute an offer or a solicitation to buy or sell Notes.

The 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**”). Approval and registration by the SFSA do not imply that the SFSA guarantees that the information provided in the Prospectus is correct and complete.

This 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 Prospectus.

This 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 law, or otherwise would conflict with regulations in such jurisdiction. Persons into whose possession this 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, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. The 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.

No person has been authorised to provide any information or make any statements other than those contained in this 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 Prospectus nor the offering, sale or delivery of any Note implies that the information in this Prospectus is correct and current as at any date other than the date of this Prospectus or that there have not been any changes in the Issuer’s or the Group’s business since the date of this Prospectus.

Forward-looking statements and market data

The 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 Prospectus apply only to the date of the 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 behalf is subject to the reservations in or referred to in this section.

The 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 Prospectus is also derived from estimates made by the Issuer.

Presentation of financial information

This Prospectus incorporates by reference the Issuer’s consolidated financial statements for 2015 and 2016 and interim report January – June 2017, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU. Certain financial and other information presented in this Prospectus has been rounded off for the purpose of making this Prospectus more easily accessible for the reader. As a result, the figures in tables may not tally with the stated totals.

With the exception of the Issuer’s consolidated financial statements for 2015 and 2016 and interim report January – June 2017, no information in this Prospectus has been audited by the Issuer’s auditor. Financial data in this Prospectus that has not been audited by the Issuer’s auditor stems from internal accounting and reporting systems.

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RISK FACTORS

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 the 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 the Notes. In this section, a number of risk factors are illustrated and discussed, both risks pertaining to Klarna's operations and risks related to the 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 Terms and Conditions, all other information in the Prospectus and other available information before deciding on making an investment in the 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 RELATED 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 AB (publ) 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 Swedish Financial Supervisory Authority (*Finansinspektionen*) (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 FFFS 2010:7 and FFFS 2012:6). 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. 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. Klarna has certain processes in place to monitor the enactment of new laws and regulations, and to ensure compliance, but 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 30 per cent. 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 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 adopted a new general data protection regulation 2016/679/EU (“**GDPR**”), which entered into force on 24 May 2016 and shall apply from 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. This may create challenges for Klarna, as it will need to implement a substantial set of new policies within a limited time frame to ensure its compliance with the GDPR.

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. It also introduces 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 supported by a set of binding technical standards 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.

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 Klarna's existing regulatory capital ceasing to count either at the same level as present or at all. Any failure by the Issuer and/or Klarna 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 the 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 the Issuer's business, financial condition and results of operations.

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

credit institution recovery and resolution, providing authorities with common tools and powers to address credit institution 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 the Notes), whether subordinated or unsubordinated, of a firm in resolution and/or to convert certain unsecured debt claims (which could also include the 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 the 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 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 the 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 the 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 the 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 draft 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 will take 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. Since it has not yet been determined whether the Issuer will be treated as a systemically important institution or not, it is not possible to say how the Issuer will be affected by the new framework.

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 and Klarna. 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 draft 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 issue 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 with a view to being adopted by the European Commission. The key RTS relates to the assessment criteria for determining a firm's MREL under the BRRD and was published in the Official Journal of the European Union in May 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, it remains uncertain when the decision as to which institutions that are to be deemed as systemically important (and consequently what the MREL requirements for each institution will be) can be expected. The National Debt Office has stated that it intends to communicate such decision during 2017. Until then, broadly, the MREL will be set at a level equal to the institution's applicable capital requirements. It can be noted that not all institutions will be deemed systemically important for the purposes of the resolution regime. 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 very 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.

RISKS RELATING TO THE NOTES

The Issuer is not prohibited from issuing further debt, which may rank *pari passu* with the Notes

There is no restriction on the amount or type of debt that the Issuer may issue or incur that ranks, *pari passu* with the 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. Similarly, there are no limitations on security pursuant to the Terms and Conditions which limit the ability of the Issuer to provide security for debt obligations. In addition, only certain default provisions (including cross acceleration) under the Terms and Conditions apply to entities within the Group other than the Issuer.

Notes obligations of the Issuer only

The Notes 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 the Notes.

Certain material interests

The Joint Bookrunners 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 AB (publ) 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

The value of the Notes is dependent on several factors, one of the most significant over time being the level of market interest rates. Investments in the Notes involve a risk that the interest decreases as market interest rates decrease.

Noteholder representation and majority decisions by the Noteholders

Under the Terms and Conditions, the Agent represents each Noteholder in all matters relating to the Notes. The Terms and Conditions contain provisions to the effect that a Noteholder is prohibited from taking actions on its own against the Issuer. To enable the Agent to represent the Noteholders in court, the Noteholders can submit a written power of attorney for legal proceedings. The failure of all Noteholders to submit such a power of attorney can negatively impact the enforcement options available to the Agent on behalf of the Noteholders.

Further, under the Terms and Conditions the Agent has the right in some cases to make decisions and take measures that bind all Noteholders without first obtaining the prior consent of the Noteholders.

Additionally, under the 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 and the Agent in such matters can impact the Noteholders' rights under the finance documents 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 the Notes will increase as there would be an increased risk that the Issuer cannot fulfil its obligations under the Terms and Conditions. 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 the Notes with a higher risk premium, which can adversely affect the value of the 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 the Notes and other existing debt, which in turn can adversely affect the Issuer's operations, result and financial position.

The price of the Notes may be volatile

The market price of the 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 the Notes without regard to Klarna's operating results, financial condition or prospects.

There is no active trading market for the Notes

The Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. If the 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 will be made for the Notes to be admitted to listing and trading on Nasdaq Stockholm, 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 the Notes.

Clearing and settlement in the CSD's account-based system

The Notes will be affiliated to and will continue to be affiliated to a central securities depository of notes, currently the CSD's account-based system, and no physical notes have been or will be issued. Clearing and settlement relating to the 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 the Notes in 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 Swedish Kronor (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 Swedish Kronor 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 NOTES AND USE OF PROCEEDS

The following is a description of the terms and conditions of the Notes and is qualified in its entirety by the full Terms and Conditions included in the section “Terms and conditions of the Notes”.

The Notes

The Notes have a Nominal Amount of 1,000,000 each and are denominated in Swedish kronor. The aggregate nominal amount of the Notes is SEK 2,000,000,000. In total, 2,000 Notes have been issued.

ISIN code

The Notes have been allocated the ISIN code SE0010413310.

Form of the Notes

The Notes are issued in dematerialised book-entry form and registered on a Securities Account on behalf of the relevant Noteholder. Hence, no physical notes have been issued. The Notes are registered in accordance with the Financial Instruments Accounts Act and registration requests relating to the Notes shall be directed to an Account Operator.

Status of the Notes

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

Admission to trading

The Issuer intends to apply for listing of the Notes on Nasdaq’s STO Corporate Bonds list in December 2017.

Issuance, repurchase and redemption

Issue Date and Final Maturity Date

The Notes were issued on 22 September 2017. Unless previously redeemed or repurchased and cancelled in accordance with the Terms and Conditions, the Issuer shall redeem all, but not some only, of the outstanding Notes in full with an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest on 22 September 2020 (the “**Final Maturity Date**”).

Subject to applicable law, any Group Company may at any time and at any price purchase Notes on the market or in any other way. Notes held by a Group Company may at such Group Company’s discretion be retained or sold.

Repurchase upon a Change of Control Event

Upon the occurrence of a Change of Control Event, each Noteholder shall have the right to request that all, or some only, of its Notes be repurchased at a price per Note equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of twenty (20) Business Days following a notice from the Issuer of the Change of Control Event pursuant to the Terms and Conditions (after which time period such right shall lapse).

“**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 14.8 of the Terms and Conditions.

See further Clause 9.4 of the Terms and Conditions.

Repurchase upon a Listing Failure Event

Upon a Listing Failure Event occurring, each Noteholder shall have the right to request that all, or some only, of its Notes be repurchased at a price per Note equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of twenty (20) Business Days following a notice from the Issuer of the Listing Failure Event pursuant to the Terms and Conditions (after which time period such right shall lapse). However, such period may not start earlier than upon the occurrence of the Listing Failure Event.

“**Listing Failure Event**” means (i) that the Notes are not admitted to trading on a Regulated Market on or before 31 December 2017 or (ii) following the admission to trading on a Regulated Market, that the Notes cease to be admitted to trading on a Regulated Market for a period exceeding ten (10) days, or, if this was caused by a technical or administrative error, forty-five (45) days.

See further Clause 9.4 of the Terms and Conditions.

Early redemption due to illegality (call option)

The Issuer may redeem all, but not some only, of the outstanding Notes at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest on a date determined by the Issuer if it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents.

The Notes shall be redeemed at an amount per Note equal to 100 per cent. of the Nominal Amount together with accrued but unpaid Interest.

Payments in respect of the Notes

Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Notes, shall be made to such person who is registered as a Noteholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.

Interest and default interest

Each Note carries Interest at the Interest Rate applied to the Nominal Amount from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date.

Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).

If the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent. higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

Acceleration of the Notes

The Agent is entitled to, and shall following a demand in writing from a Noteholder (or Noteholders) in accordance with the Terms and Conditions (i) by notice to the Issuer, declare all, but not some only, of the outstanding Notes due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents, if:

- (a) the Issuer does not pay on the due date any amount payable by it under the Finance Documents, 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 of or acts in violation of the Finance Documents to which it is a party (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 the Agent giving notice and the Issuer becoming aware of the non-compliance;
- (c) any Finance Document becomes invalid, ineffective or varied (other than in accordance with the provisions of the Finance Documents), and such invalidity, ineffectiveness or variation has a detrimental effect on 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;
- (f) the Issuer carries out a merger (*fusion*), other than a merger where the Issuer is the surviving entity;
- (g) the Issuer fails to 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; or
- (h) 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 (h) if the aggregate amount of financial indebtedness referred to herein is less than SEK 50,000,000.

See further Clause 12 of the Terms and Conditions.

Decisions by Noteholders

A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.

Only a person who is, or who has been provided with a power of attorney in accordance with the Terms and Conditions from a person who is, registered as a Noteholder:

- (a) on the Business Day prior to the date of the Noteholders' Meeting, in respect of a Noteholders' Meeting or
- (b) on the Business Day specified in the communication pursuant to Clause 16.2 of the Terms and Condition, in respect of a Written Procedure;

may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the definition of Adjusted Nominal Amount.

A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.

Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Noteholders and published on the websites of the Group and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

See further Clauses 14 to 16 of the Terms and Conditions.

No direct actions by Noteholders

Subject to certain exemptions set out in the Terms and Conditions, a Noteholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the obligations and liabilities of the Issuer under the Finance Documents.

See further Clause 21 of the Terms and Conditions.

Prescription

The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.

Governing law

The Terms and Conditions of the Notes and any non-contractual obligations arising out of or in connection therewith shall be governed by and construed in accordance with the laws of Sweden. The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

The CSD

Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, SE-101 23 Stockholm, Sweden, is acting as Central Securities Depository (CSD) and registrar in respect of the Notes.

The Issuer and the Agent shall at all times be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. For the purpose of or in connection with any Noteholders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Notes.

The Agent

Intertrust (Sweden) AB, Swedish Reg. No. 556625-5476, is acting as Agent on behalf of the Noteholders in accordance with the Terms and Conditions. The Agency Agreement is available to the Noteholders at the office of the Agent during normal business hours.

The Issuing Agent

Nordea Bank AB (publ), Swedish Reg. No. 516406-0120, Smålandsgatan 17, 105 71 Stockholm, is acting as Issuing Agent in accordance with the Terms and Conditions of the Notes.

Use of proceeds

The Issuer shall use the proceeds from the issue of the Notes, less the costs and expenses incurred by the Issuer in connection with the issue of the Notes, for general corporate purposes of the Group.

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, and its Swedish Reg. No. is 556737-0431. 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 25,000,000 SEK and not more than 100,000,000 SEK, 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 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

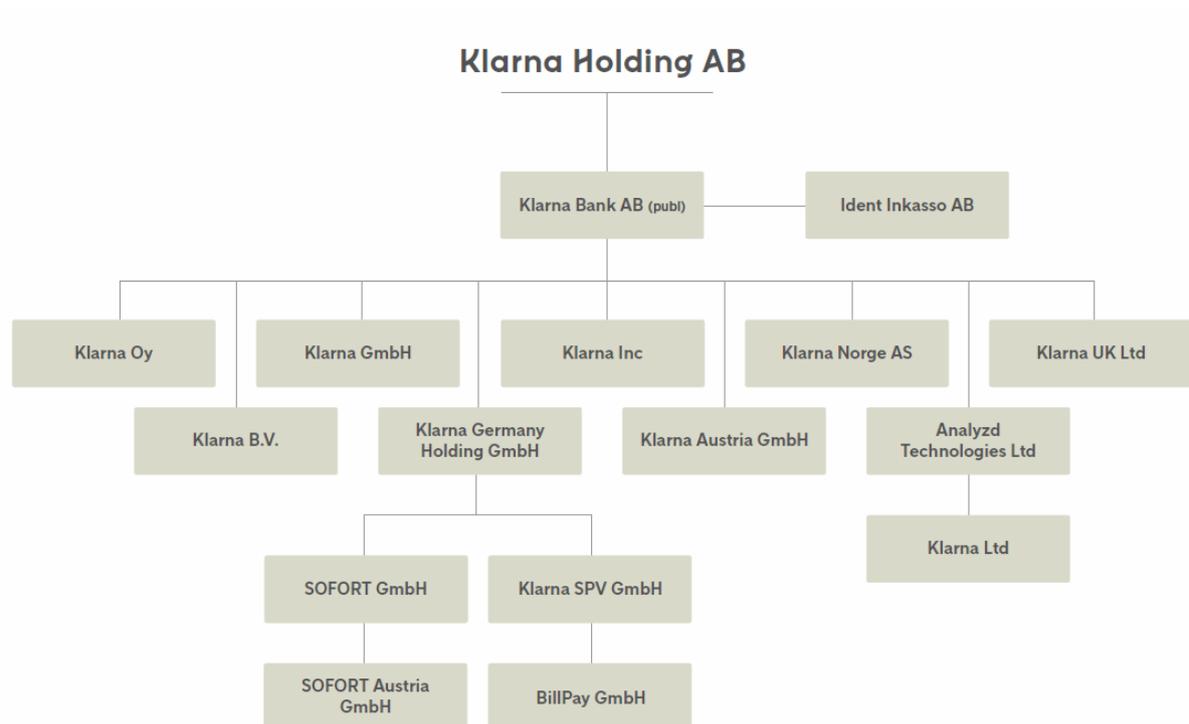
The Issuer is a payment solutions provider across Europe and North America, whose business primarily comprises payment solutions and consumer lending products designed specifically for the online environment. The Issuer's revenues are generated from both online merchants and consumers.

The Group offers credit products, including both short term invoicing and longer term account services, online checkout solutions tailored to each merchant and direct payment initiation.

As at 30 September 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 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 Prospectus is illustrated in the organisational chart below.



Principal Shareholders

The largest shareholders in Klarna Holding AB as at 9 November 2017 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 %
Sebastian Siemiatkowski (directly and indirectly)	11 %
Niklas Adalberth (directly and indirectly)	9 %
Total	71%

On 21 July 2017, the Issuer announced that an investment partnership advised by Permira will acquire a strategic equity stake in the Issuer. The investment partnership will primarily acquire shares from the existing shareholders General Atlantic Coöperatief U.A., DST Global, Niklas Adalberth and Sebastian Siemiatkowski and the transaction will take effect upon approval from the Swedish FSA. A small number of warrants will also be exercised and new shares issued as part of the transaction, meaning shareholders will experience a slight dilution to their shareholding.

Following approval of the above-described transactions, the Issuer anticipates that the largest shareholders in Klarna Holding AB will be:

Name of shareholder	Percentage of votes and share capital (rounded)
Funds advised by Sequoia Capital	25 %
Brightfolk A/S	13 %

Name of shareholder	Percentage of votes and share capital (rounded)
Victor Jacobsson (directly and indirectly)	13 %
Kool Investment LP	13 %
Sebastian Siemiatkowski (directly and indirectly)	10 %
Niklas Adalberth (directly and indirectly)	5 %
Total	79 %

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 30 September 2017, of Klarna Holding AB, Klarna Bank AB, Klarna Oy, Klarna B.V., Klarna GmbH, Klarna Germany Holding GmbH, Sofort GmbH, 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 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.

Klarna Checkout 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.

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

Credit Products

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

Invoice product ("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.

Account product (“Slice It”)

Klarna's account product (called “Slice It”) offers the end customer the ability to settle their invoice 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 a revolving, account credit to the respective customer in accordance with a personalised account 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.

Sofort products

In 2014, the Issuer acquired the German third-party provider of online payment solutions, Sofort GmbH (“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.

Sofort does not hold any money at any time – it does not provide any factoring or credit services. Sofort has a contractual relationship with the merchants, but does not guarantee the end customer's payment. Sofort Banking 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 Sofort Banking.

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. The acquisition completed on 13 September 2017.

Operating segments

The segment information is presented based on the perspective of the Chief Operating Decision Maker (CODM), and the measurement principles and allocation between operating segments follow the information reported to the Chief Executive Officer, who is identified as the CODM.

Klarna's main geographical markets comprise the Nordic countries, the DACH region (Germany, Austria and Switzerland), the BNL region (Belgium, the Netherlands and Luxembourg) as well as the United Kingdom and the USA. Revenues are distributed to geographical areas based on location of the customer's operations. Items not fully allocated to any of the operating segments are shown separately as reconciling items.

Financial results are presented for the two main operating segments Nordics and DACH. The remainder of operating segments fall below the quantitative thresholds (10%) in IFRS 8 and are included in “Other” operating segments.

Group

January to June 2017

SEKm	DACH	Nordics	Other	Total
Total Revenue	662	1,220	82	1,964

SEKm	Sweden	Germany	Other	Total
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Revenue	757	596	611	1,964
Non-current assets	184	1,072	23	1,279

January to December 2016

SEKm	DACH	Nordics	Other	Total
Total Revenue	1,111	2,154	145	3,410

SEKm	Sweden	Germany	Other	Total
Revenue	1,372	1,009	1,029	3,410
Non-current assets	164	1,078	25	1,267

Certain commission revenues, cost of revenue and general expenditures are not allocated to the segments as they are managed on an overall group basis. The reconciliation between reportable segment revenue to the Group's net income before tax is as follows:

Reconciliation between total segments and financial statements

	June 2017	December 2016
Revenue - Total operating segments	1,964	3,410
Interest expenses	-64	-102
Net income from financial transactions	-5	-18
General administrative expenses	-1,334	-2,585
Depreciation, amortisation and impairment	-63	-113
Credit losses, net	-177	-424
Net income before tax	321	168

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 issuance of the Notes, the Issuer's funding was split between equity, additional Tier 1 and Tier 2 instruments, a largely undrawn bank facility and deposits in both Sweden and Germany with varying maturities.

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 Prospectus.

Name	Position
Jonathan Kamaluddin	Chairman
Sebastian Siemiatkowski	CEO
Niklas Adalberth	Member

Name	Position
Anton J. Levy	Member
Sarah McPhee	Member
Michael Moritz	Member
Mikael Walther	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

Other on-going principal assignments: Advisor to Felix Capital Partners LLP, member of the boards of Klarna Holding AB, BCA Marketplace Plc., Farfetch UK Ltd 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.

Mikael Walther

Born in 1981. Non-Executive Director.

Principal education: B.Sc. in Economics, Stockholm School of Economics, 2005 including studies at Instituto Tecnológico y de Estudios Superiores de Monterrey, Mexico. Civil Engineer, KTH Royal School of Technology, 2004 including studies at Ecole Polytechnique, France.

Other on-going principal assignments: Board member and CEO of Navos Capital AB and Dovert Advice AB, board member of Rosfelt Holding AB.

Niklas Adalberth

Born in 1981. Non-Executive Director.

Principal education: Master International Business, Stockholm School of Economics, 2011

Other on-going principal assignments: Board chair and CEO of Stockholmsnorrskenet AB, chairman of Klarity AB, board member of Klarna Holding AB and Adalberth Invest 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.

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 Ahlén and Partners AB. CEO of McPhee Advisory Asset Management AB.

Anton J. Levy

Born in 1974. Non-Executive Director.

Principal education: B.S (Finance and Computer Science), University of Virginia, M.B.A., Columbia University Graduate School of Business.

Other on-going principal assignments: Managing Director of General Atlantic, board member of Klarna Holding AB, Squarespace Inc., Acumen Brands Inc., and Red Ventures, LLC. Chairman of Streetwise Partners (non-profit organization) and Trustee of WNYC (New York Public Radio) and University of Virginia's Endowment (UVIMCO).

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.

Name	Position
Sebastian Siemiatkowski	CEO
Knut Frängsmyr	Deputy CEO and Chief Operating Officer
Michael Rouse	Chief Commercial Officer International
Martin Tiveus	Chief Commercial Officer Nordics
David Fock	Chief Product Officer
Koen Köppen	Chief Information Officer
Camilla Giesecke	(acting) Chief Financial Officer
Warren Davidson	Chief Analytics Officer
David Sandström	(acting) 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 Office. At Klarna since March 2012.

Principal education: Master of Laws, Uppsala University.

Michael Rouse

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

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

Martin Tiveus

Born 1970. Chief Commercial Officer Nordics. At Klarna since September 2017.

Principal education: Bachelor of Business Administration, Stockholm University.

Other on-going principal assignments: Board member of Danske Bank A/S.

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. Acting 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

Martin Tiveus, is a member of the board of Danske Bank A/S.

To the best knowledge of the Issuer, no further 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 2017 annual general meeting, Ernst & Young Sweden AB, were re-elected as auditor and Ernst & Young Sweden AB re-appointed Stefan Lundberg as auditor-in-charge of the Issuer. Prior to this, Ernst & Young Sweden AB and Öhrlings PricewaterhouseCoopers AB have been the auditors for the years 2016 and 2015 respectively. Stefan Lundberg is an authorised public accountant and member of FAR, the professional institute for accountants in Sweden.

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

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 license 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

Authorisations and responsibility

The Issuer has obtained all necessary resolutions, authorisations and approvals required in conjunction with the Notes and the performance of its obligations relating thereto. The issuance of the Notes on 22 September 2017 was authorised by a resolution of the Board of Directors of the Issuer on 3 September 2017.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this 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 Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Incorporation by reference

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

The Issuer's annual report for 2015	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.
The audit report for the 2015 annual report	in its complete form.
The Issuer's annual report for 2016	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 and page 8 for changes in equity capital and pages 13-56 for notes to the income statement and notes to the balance sheet.
The audit report for the 2016 annual report	in its complete form.
The Issuer's interim report for the first half of 2017	as regards the audited consolidated financial information on page 5 for income statement, page 6 for balance sheet, page 8 for cash flow statement, page 7 for changes in equity and pages 13- 25 for notes to the income statement and notes to the balance sheet.

The information referred to above is available for inspection at: 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 the Notes or is covered elsewhere in the Prospectus.

The Issuer's annual reports for 2015 and 2016 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) from the Swedish Financial Reporting Board have been applied. With the exception of the annual reports and interim report January to June 2017, no information in this 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 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 the Prospectus.
- (c) The Finance Documents.
- (d) The Agency Agreement.
- (e) The Annual Reports of the operating subsidiaries of the Issuer (including auditor's reports) for the financial years 2015 and 2016.

Certain material interests

Nordea Bank AB (publ) and Swedbank AB (publ) are Joint Bookrunners in conjunction with the issuance of the Notes. The Joint Bookrunners (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 Joint Bookrunners 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 adverse changes since 31 December 2016

There has been no significant adverse change of the Issuer's financial or market position since the date of its last published audited financial statements.

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 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.

TERMS AND CONDITIONS OF THE NOTES

TERMS AND CONDITIONS FOR KLARNA BANK AB (publ) UP TO SEK 2,000,000,000 FLOATING RATE SENIOR UNSECURED NOTES ISIN: SE0010413310

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In these terms and conditions (the “**Terms and Conditions**”):

“**Account Operator**” means a bank or other party duly authorised to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Noteholder has opened a Securities 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 Nominal Amount**” means the Total Nominal Amount less the Nominal Amount of all Notes owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Notes.

“**Affiliate**” means (i) an entity controlling or under common control with the Issuer, other than a Group Company, and (ii) any other person or entity owning any Notes (irrespective of whether such person is directly registered as owner of such Notes) that has undertaken towards a Group Company or an entity referred to in item (i) to vote for such Notes in accordance with the instructions given by a Group Company or an entity referred to in item (i). For the purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by agreement or otherwise.

“**Agency Agreement**” means the agency agreement entered into on or before the First Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the First Issue Date between the Issuer and an agent.

“**Agent**” means Intertrust (Sweden) AB, Swedish Reg. No. 556625-5476 or another party replacing it, as Agent, in accordance with these Terms and Conditions.

“**Business Day**” means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year’s Eve (*nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

“**Business Day Convention**” means 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.

“**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 14.8.

“**CSD**” means the Issuer’s central securities depository and registrar in respect of the Notes, Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden, or any other party replacing it, as CSD, in accordance with these Terms and Conditions.

“**CSD Regulations**” means the CSD’s rules and regulations applicable to the Issuer, the Agent and the Notes from time to time.

“**Event of Default**” means an event or circumstance specified in Clause 12.1.

“**Existing Shareholders**” means (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 Maturity Date**” means 22 September 2020.

“**Finance Documents**” means these Terms and Conditions, and any other document designated by the Issuer and the Agent as a Finance Document.

“**Financial Instruments Accounts Act**” means the Swedish Securities Depositories and Financial Instruments Accounts Act (*lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

“**First Issue Date**” means 22 September 2017.

“**Force Majeure Event**” has the meaning set forth in Clause 24.1.

“**Group**” means the Issuer and its Subsidiaries from time to time (each a “**Group Company**”).

“**Initial Notes**” means the Notes issued on the First Issue Date.

“**Insolvent**” means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7–9 of the Swedish Bankruptcy Act (*konkurslag (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with all or substantially all of its creditors (other than the Noteholders and creditors of secured debt) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

“**Interest**” means the interest on the Notes calculated in accordance with Clause 8.1.

“**Interest Payment Date**” means 22 March, 22 June, 22 September, and 22 December of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Notes shall be 22 December 2017 and the last Interest Payment Date shall be the relevant Redemption Date.

“**Interest Period**” means (i) in respect of the first Interest Period, the period from (but excluding) the First Issue Date to (and including) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

“**Interest Rate**” means STIBOR plus a margin of 1.45 per cent. *per annum*.

“**Issuer**” means Klarna Bank AB (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 556737-0431.

“**Issuing Agent**” means Nordea Bank AB (publ), or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions and the CSD Regulations.

“**Listing Failure Event**” means (i) that the Notes are not admitted to trading on a Regulated Market on or before 31 December 2017 or (ii) following the admission to trading on a Regulated Market, that the Notes cease to be admitted to trading on a Regulated Market for a period exceeding ten (10) days, or, if this was caused by a technical or administrative error, forty-five (45) days.

“**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.

“**Net Proceeds**” means the gross proceeds from the offering of the relevant Notes, minus costs and fees incurred in connection with the issuance thereof.

“**Nominal Amount**” has the meaning set forth in Clause 2.4.

“**Noteholder**” means the person who is registered on a Securities Account as direct registered owner (*ägare*) or nominee (*förvaltare*) with respect to a Note.

“**Noteholders’ Meeting**” means a meeting among the Noteholders held in accordance with Clause 15 (*Noteholders’ Meeting*).

“**Note**” means a debt instrument (*skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which is governed by and issued under these Terms and Conditions, including the Initial Notes and any Subsequent Notes.

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

“**Record Date**” means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Noteholders is to be made under Clause 13 (*Distribution of proceeds*), (iv) a date of a Noteholders’ Meeting or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

“**Redemption Date**” means the date on which the relevant Notes are to be redeemed or repurchased in accordance with Clause 9 (*Redemption and repurchase of the Notes*).

“**Regulated Market**” means any regulated market (as defined in Directive 2004/39/EC on markets in financial instruments).

“**Securities Account**” means the account for dematerialised securities maintained by the CSD pursuant to the Financial Instruments Accounts Act 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.

“**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:

- (a) the applicable percentage rate *per annum* displayed on Nasdaq Stockholm’s website for STIBOR fixing (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor and for a period comparable to the relevant Interest Period; or
- (b) if no rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by leading banks in the Stockholm interbank market reasonably selected by the Issuing Agent, for deposits of SEK 100,000,000 for the relevant period; or
- (c) if no quotation is available pursuant to paragraph (b), the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period.

“**Subsequent Notes**” means any Notes issued after the First Issue Date on one or more occasions.

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

“**Total Nominal Amount**” means the total aggregate Nominal Amount of the Notes outstanding at the relevant time.

“**Written Procedure**” means the written or electronic procedure for decision making among the Noteholders in accordance with Clause 16 (*Written Procedure*).

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

- a) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
- b) a “**regulation**” includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- c) a provision of law is a reference to that provision as amended or re-enacted; and
- d) a time of day is a reference to Stockholm time.

1.2.2 An Event of Default is continuing if it has not been remedied or waived.

1.2.3 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 by the Swedish Central Bank (*Riksbanken*) on its website (www.riksbank.se). If no such rate is available, the most recently published rate shall be used instead.

1.2.4 A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.

1.2.5 No delay or omission of the Agent or of any Noteholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

2. STATUS OF THE NOTES

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

2.2 The Notes are denominated in Swedish Kronor and each Note is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Notes and to comply with these Terms and Conditions.

2.3 By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to the Finance Documents and by acquiring Notes, each subsequent Noteholder confirms such agreement.

- 2.4 The nominal amount of each Initial Note is SEK 1,000,000 (the “**Nominal Amount**”). The aggregate nominal amount of the Initial Notes is SEK 2,000,000,000. All Initial Notes are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount.
- 2.5 Provided that no Event of Default is continuing or would result from such issue, the Issuer may, on one or several occasions, issue Subsequent Notes. Subsequent Notes shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the interest rate, the currency, the nominal amount and the final maturity applicable to the Initial Notes shall apply to Subsequent Notes. The issue price of the Subsequent Notes may be set at par or at a discount or at a premium compared to the Nominal Amount. The aggregate nominal amount of the Notes is limited to SEK 2,000,000,000. Each Subsequent Note shall entitle its holder to Interest in accordance with Clause 8 (*Interest*) and otherwise have the same rights as the Initial Notes.
- 2.6 The Notes are freely transferable but the Noteholders may be subject to purchase or transfer restrictions with regard to the Notes, as applicable, under local laws to which a Noteholder may be subject. Each Noteholder must ensure compliance with such restrictions at its own cost and expense.
- 2.7 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of any document or other material relating to the Issuer or the Notes in any jurisdiction, where action for that purpose is required. Each Noteholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Notes.

3. USE OF PROCEEDS

The Issuer shall use the Net Proceeds from the issue of the Notes for the general corporate purposes of the Group.

4. CONDITIONS FOR DISBURSEMENT

- 4.1 The Issuing Agent shall pay the Net Proceeds from the issuance of the Initial Notes to the Issuer on the later of (i) the First Issue Date and (ii) four Business Days after the date on which the Agent notifies the Issuing Agent that it has received the following, in form and substance satisfactory to the Agent:
- a) the Finance Documents and the Agency Agreement duly executed by the parties thereto;
 - b) a copy of an officer’s certificate to certify that a resolution from the board of directors of the Issuer approving the issue of the Notes, the terms of the Finance Documents and the Agency Agreement, and resolving to enter into such documents and any other documents necessary in connection therewith is in place;
 - c) the articles of association and certificate of incorporation of the Issuer;
 - d) evidence that the person(s) who has/have signed the Finance Documents, the Agency Agreement and any other documents in connection therewith on behalf of parties thereto is/are duly authorised to do so; and
 - e) such other documents and information as is agreed between the Agent and the Issuer.
- 4.2 The Issuing Agent shall pay the Net Proceeds from the issuance of any Subsequent Notes to the Issuer on the later of (i) the date of the issue of such Subsequent Notes and (ii) the date on which the

Agent notifies the Issuing Agent that it has received the following, in form and substance satisfactory to the Agent:

- (a) a copy of an officer's certificate to certify that a resolution from the board of directors of the Issuer approving the issue of the Subsequent Notes and resolving to enter into any documents necessary in connection therewith is in place; and
- (b) a certificate from the Issuer confirming that no Event of Default is continuing or would result from the issue of the Subsequent Notes.

4.3 The Agent may assume that the documentation delivered to it pursuant to Clause 4.1 or 4.2 is accurate, correct and complete unless it has actual knowledge that this is not the case, and the Agent does not have to verify the contents of any such documentation.

4.4 The Agent shall notify the Issuing Agent when the conditions in Clause 4.1 or 4.2, as the case may be, have been satisfied.

5. NOTES IN BOOK-ENTRY FORM

5.1 The Notes will be registered for the Noteholders on their respective Securities Accounts and no physical notes will be issued. Accordingly, the Notes will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Notes shall be directed to an Account Operator.

5.2 Those who, according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalk (1949:381)*), conditions of will or deed of gift or otherwise, have acquired a right to receive payments in respect of a Note shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.

5.3 The Issuer and the Agent shall at all times be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent. For the purpose of carrying out any administrative procedure that arises out of the Finance Documents, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Notes.

5.4 The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Notes. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Noteholders.

5.5 The Issuer and the Agent may use the information referred to in Clause 5.3 only for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Noteholder or third party unless necessary for such purposes.

6. RIGHT TO ACT ON BEHALF OF A NOTEHOLDER

6.1 If any person other than a Noteholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Noteholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Noteholder and authorising such person.

6.2 A Noteholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under the Finance Documents in relation to the Notes for which such representative is entitled to represent the

Noteholder and may further delegate its right to represent the Noteholder by way of a further power of attorney.

- 6.3 The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 6.2 and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.

7. PAYMENTS IN RESPECT OF THE NOTES

- 7.1 Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Notes, shall be made to such person who is registered as a Noteholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.
- 7.2 If a Noteholder has registered, through an Account Operator, that principal, interest or any other payment shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Noteholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Noteholders on the relevant Record Date as soon as possible after such obstacle has been removed.
- 7.3 If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 8.4 during such postponement.
- 7.4 If payment or repayment is made in accordance with this Clause 7 (*Payments in respect of the Notes*), the Issuer and the 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.
- 7.5 The Issuer is not liable to gross-up any payments under the Finance Documents 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.

8. INTEREST

- 8.1 Each Initial Note carries Interest at the Interest Rate applied to the Nominal Amount from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Note will carry Interest at the Interest Rate applied to the Nominal Amount from (but excluding) the Interest Payment Date falling immediately prior to its issuance (or the First Issue Date if there is no such Interest Payment Date) up to (and including) the relevant Redemption Date.
- 8.2 Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made to the Noteholders on each Interest Payment Date for the preceding Interest Period.
- 8.3 Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- 8.4 If the Issuer fails to pay any amount payable by it under the Finance Documents on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent higher than the Interest

Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

9. REDEMPTION AND REPURCHASE OF THE NOTES

9.1 Redemption at maturity

The Issuer shall redeem all of the outstanding Notes in full on the Final Maturity Date with an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a Business Day, then the redemption shall occur on the first following Business Day.

9.2 Purchase of Notes by the Issuer and related companies

Subject to applicable law, the Issuer, a Group Company, or an Affiliate may at any time and at any price purchase Notes on the market or in any other way. Notes held by such company may at its discretion be retained or sold.

9.3 Early redemption due to illegality

9.3.1 If it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents, the Issuer may, subject to giving notice in accordance with Clause 9.3.3 redeem all (but not some only) outstanding Notes on a Redemption Date determined by the Issuer.

9.3.2 Any Notes redeemed in accordance with this Clause 9.3 (*Early redemption due to illegality*) shall be redeemed at a price per Note equal to the Nominal Amount together with accrued but unpaid Interest.

9.3.3 Any redemption in accordance with this Clause 9.3 (*Early redemption due to illegality*) be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Noteholders and the Agent in accordance with Clause 23 (*Notices*). Any such notice is irrevocable, shall specify the Redemption Date and Record Date on which a person shall be registered as a Noteholder to receive the amounts due on such Redemption Date, and, upon expiry of the notice period, the Issuer is bound to redeem the Notes.

9.4 Mandatory repurchase due to a Change of Control Event or Listing Failure Event (put option)

9.4.1 Upon the occurrence of a Change of Control Event or Listing Failure 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 or Listing Failure Event pursuant to Clause 10.1.2 (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 101 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 or the Listing Failure Event.

9.4.2 The notice from the Issuer of the Change of Control Event or Listing Failure Event pursuant to Clause 10.1.2 shall specify the Record Date on which a person shall be registered as a Noteholder to receive interest and principal, the Redemption Date 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 Redemption Date specified in the notice given by the

Issuer pursuant to Clause 10.1.2. The Redemption Date must fall no later than forty (40) Business Days after the end of the period referred to in Clause 9.4.1.

- 9.4.3 If Noteholders representing more than 80 per cent. of the Adjusted Nominal Amount have requested that Notes held by them be repurchased pursuant to this Clause 9.4 (*Mandatory repurchase due to a Change of Control Event or Listing Failure Event (put option)*), the Issuer shall, no later than five (5) Business Days after the end of the period referred to in Clause 9.4.1, send a notice to the remaining Noteholders, if any, giving them a further opportunity to request that Notes held by them be repurchased on the same terms during a period of twenty (20) Business Days from the date such notice is effective. Such notice shall specify the Redemption Date, the Record Date on which a person shall be registered as a Noteholder to receive the amounts due on such Redemption Date and shall also 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 Redemption Date specified in the notice given by the Issuer pursuant to this Clause 9.4.4. The Redemption Date must fall no later than forty (40) Business Days after the end of the period of twenty (20) Business Days referred to in this Clause 9.4.4.
- 9.4.4 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 9.4, the Issuer may comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.4 by virtue of such conflict.
- 9.4.5 Any Notes repurchased by the Issuer pursuant to this Clause 9.4 may at the Issuer's discretion be retained or sold.
- 9.4.6 The Issuer shall not be required to repurchase any Notes pursuant to this Clause 9.4, if a third party in connection with the occurrence of a Change of Control Event or a Listing Failure Event offers to purchase the Notes in the manner and on the terms set out in this Clause 9.4 (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 9.4, the Issuer shall repurchase any such Notes within five (5) Business Days after the expiry of the time period.

10. INFORMATION TO NOTEHOLDERS

10.1 Information from the Issuer

- 10.1.1 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) and the rules and regulations of the Regulated Market on which the Notes are admitted to trading.
- 10.1.2 The Issuer shall, without undue delay, notify the Noteholders and the Agent upon becoming aware of the occurrence of a Change of Control Event, a Listing Failure Event or an Event of Default. Such notice shall be by way of a press release and may be given in advance of the occurrence of a Change of Control Event or a Listing Failure Event (and, in respect of a Change of Control Event, be conditional upon the occurrence thereof, if a definitive agreement is in place providing for such Change of Control Event).
- 10.1.3 When the financial statements and other information are made available to the Noteholders pursuant to Clause 10.1.1, the Issuer shall send a copy of such financial statements and other information to the Agent.
- 10.2 **Information from the Agent**
- Subject to the restrictions of any agreement regarding the non-disclosure of information received from the Issuer, the Agent is entitled to disclose to the Noteholders any event or circumstance directly or indirectly relating to the Issuer or the Notes. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Noteholders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.
- 10.3 **Information among the Noteholders**
- Upon request by a Noteholder, the Agent shall promptly distribute to the Noteholders any information from such Noteholder which relates to the Notes. The Agent may require that the requesting Noteholder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed.
- 10.4 **Publication of Finance Documents**
- 10.4.1 The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Issuer and the Agent.
- 10.4.2 The latest versions of the Finance Documents shall be available to the Noteholders at the office of the Agent during normal business hours.
- 11. AGENCY AGREEMENT**
- 11.1 The Issuer shall, in accordance with the Agency Agreement:
- (a) pay fees to the Agent;
 - (b) indemnify the Agent for costs, losses and liabilities;
 - (c) furnish to the Agent all information requested by or otherwise required to be delivered to the Agent; and
 - (d) not act in a way which would give the Agent a legal or contractual right to terminate the Agency Agreement.
- 11.2 The Issuer and the Agent shall not agree to amend any provisions of the Agency Agreement without the prior consent of the Noteholders if the amendment would be detrimental to the interests of the Noteholders.

12. ACCELERATION OF THE NOTES

- 12.1 The Agent is entitled to, and shall following a demand in writing from a Noteholder (or Noteholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the demand is received by the Agent and shall, if made by several Noteholders, be made by them jointly) or following an instruction given pursuant to Clause 12.5, on behalf of the Noteholders (i) by notice to the Issuer, declare all, but not some only, of the outstanding Notes due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents, if:
- (a) the Issuer does not pay on the due date any amount payable by it under the Finance Documents, 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 of or acts in violation of the Finance Documents to which it is a party (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 the Agent giving notice and the Issuer becoming aware of the non-compliance;
 - (c) any Finance Document becomes invalid or ineffective (other than in accordance with the provisions of the Finance Documents), 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;
 - (f) the Issuer carries out a merger (*fusion*), other than a merger where the Issuer is the surviving entity;
 - (g) the Issuer fails to 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; or

- (h) 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 (h) if the aggregate amount of financial indebtedness referred to herein is less than SEK 50,000,000.
- 12.2 The Agent may not accelerate the Notes in accordance with Clause 12.1 by reference to a specific Event of Default if it is no longer continuing or if it has been decided, at a Noteholders' Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
- 12.3 The Issuer shall, without undue delay, notify the Agent (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Agent with such further information as it may reasonably request in writing following receipt of such notice. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- 12.4 The Agent shall notify the Noteholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing. The Agent shall, within twenty (20) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing, decide if the Notes shall be so accelerated. If the Agent decides not to accelerate the Notes, the Agent shall promptly seek instructions from the Noteholders in accordance with Clause 14 (*Decisions by Noteholders*). The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.
- 12.5 If the Noteholders instruct the Agent to accelerate the Notes, the Agent shall promptly declare the Notes due and payable and take such actions as may, in the opinion of the Agent, be necessary or desirable to enforce the rights of the Noteholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
- 12.6 If the right to accelerate the Notes is based upon a decision of a court of law, an arbitral tribunal or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- 12.7 In the event of an acceleration of the Notes in accordance with this Clause 12 (*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.

13. DISTRIBUTION OF PROCEEDS

- 13.1 Following an acceleration of the Notes in accordance with Clause 12 (*Acceleration of the Notes*), all payments by the Issuer relating to the Notes and the Finance Documents shall be distributed in the following order of priority, in accordance with the instructions of the Agent:
- a) *firstly*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Noteholders), (ii) other costs and expenses relating to the protection of the Noteholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been

reimbursed by the Issuer in accordance with Clause 18.2.8, and (iv) any costs and expenses incurred by the Agent in relation to a Noteholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 14.15, together with default interest in accordance with Clause 8.4 on any such amount calculated from the date it was due to be paid or reimbursed by the Issuer;

- b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest under the Notes (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
- c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Notes; and
- d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under the Finance Documents, including default interest in accordance with Clause 8.4 on delayed payments of Interest and repayments of principal under the Notes.

Any excess funds after the application of proceeds in accordance with paragraphs (a) to (d) above shall be paid to the Issuer.

- 13.2 Funds that the Agent receives (directly or indirectly) following an application of Clause 13.1 in connection with the acceleration of the Notes constitute escrow funds (*redovisningsmedel*) and must be held in a separate interest-bearing account on behalf of the Noteholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 13 (*Distribution of proceeds*) as soon as reasonably practicable.
- 13.3 If the Issuer or the Agent shall make any payment under this Clause 13 (*Distribution of proceeds*), the Issuer or the Agent, as applicable, shall notify the Noteholders of any such payment at least fifteen (15) Business Days before the payment is made in accordance with Clause 23 (*Notices*). The notice from the Issuer shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 7.1 shall apply.

14. DECISIONS BY NOTEHOLDERS

- 14.1 A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.
- 14.2 Any request from the Issuer or a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Noteholders, be made by them jointly) for a decision by the Noteholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Noteholders' Meeting or by way of a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Noteholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Noteholders' Meeting.
- 14.3 The Agent may refrain from convening a Noteholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Noteholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- 14.4 Should the Agent not convene a Noteholders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without Clause 14.3 being applicable, the person requesting the decision by Noteholders may request the Issuer to convene such Noteholders' Meeting or instigate such Written Procedure, as the case may be, instead. Should the Issuer in such

situation not convene a Noteholders' Meeting, the person requesting the decision by Noteholders may convene such Noteholders' Meeting or instigate such Written Procedure, as the case may be, instead. The Issuer or the Issuing Agent shall then upon request provide the convening Noteholder with such information available in the debt register (*skuldbok*) kept by the CSD in respect of the Notes as may be necessary in order to convene and hold the Noteholders' Meeting or instigate and carry out the Written Procedure, as the case may be.

- 14.5 Should the Issuer wish to replace the Agent, it may (i) convene a Noteholders' Meeting in accordance with Clause 15.1 or (ii) instigate a Written Procedure by sending communication in accordance with Clause 16.1, in either case with a copy to the Agent. After a request from the Noteholders pursuant to Clause 18.4.3, the Issuer shall no later than ten (10) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Noteholders' Meeting in accordance with Clause 15.1. The Issuer shall inform the Agent before a notice for a Noteholders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and shall, on the request of the Agent, append information from the Agent together with the a notice or the communication.
- 14.6 Only a person who is, or who has been provided with a power of attorney pursuant to Clause 6 (*Right to act on behalf of a Noteholder*) from a person who is, registered as a Noteholder on the Business Day specified:
- (a) in the communication pursuant to Clause 15.2, in respect of a Noteholders' Meeting, or
 - (b) in the communication pursuant to Clause 16.2, in respect of a Written Procedure,
- may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the Adjusted Nominal Amount. Such Business Day specified pursuant to paragraph (a) or (b) above must fall no earlier than one (1) Business Day after the effective date of the notice or communication, as the case may be.
- 14.7 The following matters shall require the consent of Noteholders representing at least seventy-five (75) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16.2:
- (a) a change to the terms of Clause 2 (Status of the Notes);
 - (b) a change to the terms dealing with the requirements for Noteholders' consent set out in Clauses 14 (Decisions by Noteholders), 15 (Noteholders' meeting) and 16 (Written procedure);
 - (c) a change to an Interest Rate or the Nominal Amount;
 - (d) an extension of the tenor of the Notes or any delay of the due date for payment of any principal or Interest on the Notes;
 - (e) a mandatory exchange of the Notes for other securities; and
 - (f) an early redemption of the Notes, other than upon an acceleration of the Notes pursuant to Clause 12 (Acceleration of the Notes) or as otherwise permitted or required by these Terms and Conditions.
- 14.8 Any matter not covered by Clause 14.7 shall require the consent of Noteholders representing more than 50 per cent of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16.2. This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 17.1(a) or (b)).
- 14.9 Quorum at a Noteholders' Meeting or in respect of a Written Procedure only exists if a Noteholder (or Noteholders) representing at least fifty (50) per cent of the Adjusted Nominal Amount in case of

a matter pursuant to Clause 14.7, and otherwise twenty (20) per cent of the Adjusted Nominal Amount:

- (a) if at a Noteholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
- (b) if in respect of a Written Procedure, reply to the request.

If a quorum exists for some but not all of the matters to be dealt with at a Noteholders' Meeting or by a Written Procedure, decisions may be taken in the matters for which a quorum exists.

- 14.10 If a quorum does not exist at a Noteholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Noteholders' Meeting (in accordance with Clause 15.1) or initiate a second Written Procedure (in accordance with Clause 16.1), as the case may be, provided that the person(s) who initiated the procedure for Noteholders' consent has confirmed that the relevant proposal is not withdrawn. For the purposes of a second Noteholders' Meeting or second Written Procedure pursuant to this Clause 14.10, the date of request of the second Noteholders' Meeting pursuant to Clause 15.1 or second Written Procedure pursuant to Clause 16.1, as the case may be, shall be deemed to be the relevant date when the quorum did not exist. The quorum requirement in Clause 14.9 shall not apply to such second Noteholders' Meeting or Written Procedure.
- 14.11 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as applicable.
- 14.12 A Noteholder holding more than one Note need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- 14.13 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Noteholders that consent at the relevant Noteholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- 14.14 A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.
- 14.15 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Noteholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- 14.16 If a decision is to be taken by the Noteholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Notes owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Notes. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible for determining whether a Note is owned by a Group Company or an Affiliate.
- 14.17 Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to each person registered as a Noteholder on the date referred to in Clause 14.6(a) or 14.6(b), as the case may be, and shall also be published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

15. NOTEHOLDERS' MEETING

- 15.1 The Agent shall convene a Noteholders' Meeting as soon as practicable and in any event no later than ten (10) Business Days after receipt of a valid request from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a notice thereof to each person who is registered as a Noteholder on a date selected by the Agent which falls no more than five (5) Business Days prior to the date on which the notice is sent.
- 15.2 The notice pursuant to Clause 15.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Noteholders), (iv) the day on which a person must be Noteholder in order to exercise Noteholders' rights at the Noteholders' Meeting, and (v) a form of power of attorney. Only matters that have been included in the notice may be resolved upon 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.
- 15.3 The Noteholders' Meeting shall be held no earlier than ten (10) Business Days and no later than thirty (30) Business Days after the effective date of the notice.
- 15.4 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Noteholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Noteholders to vote without attending the meeting in person.

16. WRITTEN PROCEDURE

- 16.1 The Agent shall instigate a Written Procedure as soon as practicable and in any event no later than ten (10) Business Days after receipt of valid a request from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Noteholder on a date selected by the Agent which falls no more than five (5) Business Days prior to the date on which the communication is sent.
- 16.2 A communication pursuant to Clause 16.1 shall include (i) each request for a decision by the Noteholders, (ii) a description of the reasons for each request, (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) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least ten (10) Business Days and not longer than thirty (30) Business Days from the effective date of the communication pursuant to Clause 16.1). If the voting is to be made electronically, instructions for such voting shall be included in the communication.
- 16.3 When consents from Noteholders representing the requisite majority of the total Adjusted Nominal Amount pursuant to Clauses 14.7 and 14.8 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 14.7 or 14.8, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

17. AMENDMENTS AND WAIVERS

- 17.1 The Issuer and the Agent (acting on behalf of the Noteholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
- (a) such amendment or waiver is not detrimental to the interest of the Noteholders as a group, or is made solely for the purpose of rectifying obvious errors and mistakes;

- (b) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
 - (c) such amendment or waiver has been duly approved by the Noteholders in accordance with Clause 14 (*Decisions by Noteholders*).
- 17.2 The consent of the Noteholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.
- 17.3 The Agent shall promptly notify the Noteholders of any amendments or waivers made in accordance with Clause 17.1, setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 10.4 (*Publication of Finance Documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.
- 17.4 An amendment to the Finance Documents shall take effect on the date determined by the Noteholders' Meeting, in the Written Procedure or by the Agent, as the case may be.

18. APPOINTMENT AND REPLACEMENT OF THE AGENT

18.1 Appointment of the Agent

- 18.1.1 By subscribing for Notes, each initial Noteholder appoints the Agent to act as its agent in all matters relating to the Notes and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Notes held by such Noteholder, including the winding-up, dissolution, liquidation or bankruptcy (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Notes, each subsequent Noteholder confirms such appointment and authorisation for the Agent to act on its behalf.
- 18.1.2 Each Noteholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Noteholder which does not comply with such request.
- 18.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- 18.1.4 The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- 18.1.5 The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

18.2 Duties of the Agent

- 18.2.1 The Agent shall represent the Noteholders in accordance with the Finance Documents. However, the Agent is not responsible for the execution or enforceability of the Finance Documents.
- 18.2.2 When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Noteholders. The Agent shall act in the best interest of the Noteholders as a group and carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.

- 18.2.3 The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.
- 18.2.4 The Agent shall treat all Noteholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Noteholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- 18.2.5 Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- 18.2.6 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Noteholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.
- 18.2.7 The Agent shall give a notice to the Noteholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause 18.2.6.
- 18.2.8 The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Agent reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Noteholders under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 13 (*Distribution of proceeds*).
- 18.2.9 The Agent shall, as applicable, enter into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under the Finance Documents.
- 18.3 **Limited liability for the Agent**
- 18.3.1 The Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- 18.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Noteholders to delay the action in order to first obtain instructions from the Noteholders.
- 18.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Noteholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- 18.3.4 The Agent shall have no liability to the Noteholders for damage caused by the Agent acting in accordance with instructions of the Noteholders given in accordance with Clause 14 (*Decisions by Noteholders*) or a demand by the Noteholders given pursuant to Clause 12.1.

- 18.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Noteholders under the Finance Documents.
- 18.4 **Replacement of the Agent**
- 18.4.1 Subject to Clause 18.4.6, the Agent may resign by giving notice to the Issuer and the Noteholders, in which case the Noteholders shall appoint a successor Agent at a Noteholders' Meeting convened by the old Agent or by way of Written Procedure initiated by the old Agent.
- 18.4.2 Subject to Clause 18.4.6, if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 18.4.3 A Noteholder (or Noteholders) representing at least ten (10) per cent of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Noteholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Noteholders, be given by them jointly), require that a Noteholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Noteholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Noteholders that the Agent be dismissed and a new Agent appointed.
- 18.4.4 If the Noteholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Noteholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 18.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- 18.4.6 The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- 18.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Noteholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- 18.4.8 In the event that there is a change of the Agent in accordance with this Clause 18.4 (*Replacement of the Agent*), the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agree otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

19. APPOINTMENT AND REPLACEMENT OF THE ISSUING AGENT

- 19.1 The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Notes.

19.2 The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as a new Issuing Agent at the same time as the retiring Issuing Agent retires or is dismissed. If the Issuing Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent which shall replace the retiring Issuing Agent as issuing agent in accordance with these Terms and Conditions.

19.3 The Issuing Agent shall enter into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Issuing Agent, as may be necessary in order for the Issuing Agent to carry out its duties under the Terms and Conditions

20. APPOINTMENT AND REPLACEMENT OF THE CSD

20.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the CSD Regulations and the other regulations applicable to the Notes.

20.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Noteholder or any listing of the Notes. The replacing CSD must be authorised to professionally conduct clearing operations pursuant to the Securities Markets Act (*lag (2007:528) om värdepappersmarknaden*) and be authorised as a central securities depository in accordance with the Financial Instruments Account Act.

21. NO DIRECT ACTIONS BY NOTEHOLDERS

21.1 A Noteholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation or bankruptcy (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the obligations and liabilities of the Issuer under the Finance Documents. Such steps may only be taken by the Agent.

21.2 Clause 21.1 shall not apply if the Agent has been instructed by the Noteholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Noteholder to provide documents in accordance with Clause 18.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause 18.2.6, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 18.2.7 before a Noteholder may take any action referred to in Clause 21.1.

21.3 The provisions of Clause 21.1 shall not in any way limit an individual Noteholder's right to claim and enforce payments which are due by the Issuer to some but not all Noteholders.

22. PRESCRIPTION

22.1 The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.

22.2 If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Notes, and of three (3) years with respect to receive

payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

23. NOTICES AND PRESS RELEASES

23.1 Notices

23.1.1 Any notice or other communication to be made under or in connection with the Finance Documents:

- (a) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Business Day prior to dispatch, or, if sent by email by the Issuer, to the email address notified by the Agent to the Issuer from time to time;
- (b) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Business Day prior to dispatch, or, if sent by email by the Agent, to the email address notified by the Issuer to the Agent from time to time; and
- (c) if to the Noteholders, shall be given at their addresses as registered with the CSD, on the date such person shall be a Noteholder in order receive the communication or if such date is not specified, on the Business Day prior to dispatch, and by either courier delivery or letter for all Noteholders. A Notice to the Noteholders shall also be published on the websites of the Issuer and the Agent.

23.1.2 Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter, or, if between the Issuer and the Agent, by email, and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 23.1, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 23.1, or, in case of email, when received in readable form by the email recipient. Any such notice shall be made in English.

23.1.3 Failure to send a notice or other communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

23.2 Press releases

23.2.1 Any notice that the Issuer or the Agent shall send to the Noteholders pursuant to Clauses 9.3 (*Early redemption due to illegality*), 9.4 (*Mandatory repurchase due to a Change of Control Event or Listing Failure Event (put option)*), 10.1.2, 12.4, 14.17, 15.1, 16.1, and 17.3 shall also be published by way of press release by the Issuer or the Agent, as applicable.

23.2.2 In addition to Clause 23.2.1, if any information relating to the Notes or the Group contained in a notice the Agent may send to the Noteholders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends a notice containing such information to the Noteholders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Noteholders, the Agent shall be entitled to issue such press release.

24. FORCE MAJEURE AND LIMITATION OF LIABILITY

24.1 Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott,

blockade, natural disaster, insurrection, civil commotion, terrorism or any other similar circumstance (a “**Force Majeure Event**”). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

- 24.2 The Issuing Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Issuing Agent shall never be responsible for indirect loss.
- 24.3 Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- 24.4 The provisions in this Clause 24 (*Force majeure and limitation of liability*) apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

25. GOVERNING LAW AND JURISDICTION

- 25.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection herewith, shall be governed by and construed in accordance with the laws of Sweden.
- 25.2 The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

We hereby certify that the above terms and conditions are binding upon ourselves.

KLARNA BANK AB (publ)
as Issuer

We hereby undertake to act in accordance with the above terms and conditions to the extent they refer to us.

INTERTRUST (SWEDEN) AB
as Agent

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