

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2022

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission File Number: 000-50058

PRA Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-3078675

(I.R.S. Employer Identification No.)

120 Corporate Boulevard

Norfolk, Virginia 23502

(Address of principal executive offices)

(888) 772-7326

(Registrant's Telephone No., including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	PRAA	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock outstanding as of May 4, 2022 was 39,789,622.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited)

**PRA Group, Inc.
Consolidated Balance Sheets
March 31, 2022 and December 31, 2021
(Amounts in thousands)**

	(unaudited) March 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 79,089	\$ 87,584
Investments	93,249	92,977
Finance receivables, net	3,310,747	3,428,285
Income taxes receivable	49,064	41,146
Deferred tax assets, net	63,965	67,760
Right-of-use assets	55,093	56,713
Property and equipment, net	54,401	54,513
Goodwill	483,380	480,263
Other assets	68,845	57,002
Total assets	\$ 4,257,833	\$ 4,366,243
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 6,339	\$ 3,821
Accrued expenses	90,282	127,802
Income taxes payable	13,743	19,276
Deferred tax liabilities, net	45,365	36,630
Lease liabilities	59,706	61,188
Interest-bearing deposits	117,035	124,623
Borrowings	2,539,462	2,608,714
Other liabilities	39,734	59,352
Total liabilities	2,911,666	3,041,406
Equity:		
Preferred stock, \$0.01 par value, 2,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 100,000 shares authorized, 40,410 shares issued and outstanding at March 31, 2022; 100,000 shares authorized, 41,008 shares issued and outstanding at December 31, 2021	404	410
Additional paid-in capital	—	—
Retained earnings	1,548,845	1,552,845
Accumulated other comprehensive loss	(243,709)	(266,909)
Total stockholders' equity - PRA Group, Inc.	1,305,540	1,286,346
Noncontrolling interest	40,627	38,491
Total equity	1,346,167	1,324,837
Total liabilities and equity	\$ 4,257,833	\$ 4,366,243

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Income Statements
For the Three Months Ended March 31, 2022 and 2021
(unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	2022	2021
Revenues:		
Portfolio income	\$ 207,532	\$ 231,672
Changes in expected recoveries	29,914	50,136
Total portfolio revenue	237,446	281,808
Fee income	1,830	2,181
Other revenue	1,329	5,480
Total revenues	240,605	289,469
Operating expenses:		
Compensation and employee services	71,096	73,984
Legal collection fees	10,873	12,926
Legal collection costs	16,557	21,312
Agency fees	17,388	15,591
Outside fees and services	19,378	20,760
Communication	12,583	12,663
Rent and occupancy	4,987	4,480
Depreciation and amortization	3,778	3,981
Other operating expenses	11,998	13,018
Total operating expenses	168,638	178,715
Income from operations	71,967	110,754
Other income and (expense):		
Interest expense, net	(31,748)	(31,552)
Foreign exchange loss	(532)	(26)
Other	(490)	26
Income before income taxes	39,197	79,202
Income tax expense	4,579	17,322
Net income	34,618	61,880
Adjustment for net (loss)/income attributable to noncontrolling interests	(5,354)	3,474
Net income attributable to PRA Group, Inc.	\$ 39,972	\$ 58,406
Net income per common share attributable to PRA Group, Inc.:		
Basic	\$ 0.98	\$ 1.28
Diluted	\$ 0.97	\$ 1.27
Weighted average number of shares outstanding:		
Basic	40,777	45,669
Diluted	41,304	46,045

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Statements of Comprehensive Income/(Loss)
For the Three Months Ended March 31, 2022 and 2021
(unaudited)
(Amounts in thousands)

	Three Months Ended March 31,	
	2022	2021
Net income	\$ 34,618	\$ 61,880
Other comprehensive income/(loss), net of tax:		
Currency translation adjustments	12,270	(24,531)
Cash flow hedges	18,580	12,323
Debt securities available-for-sale	(160)	—
Other comprehensive income/(loss)	30,690	(12,208)
Total comprehensive income	65,308	49,672
Less comprehensive income/(loss) attributable to noncontrolling interests	2,136	(950)
Comprehensive income attributable to PRA Group, Inc.	\$ 63,172	\$ 50,622

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2022 and 2021
(unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Noncontrolling	Total
	Shares	Amount	Capital	Earnings	(Loss)	Interest	Equity
Balance at December 31, 2021	41,008	\$ 410	\$ —	\$ 1,552,845	\$ (266,909)	\$ 38,491	\$ 1,324,837
Components of comprehensive income, net of tax:							
Net income	—	—	—	39,972	—	(5,354)	34,618
Currency translation adjustments	—	—	—	—	4,780	7,490	12,270
Cash flow hedges	—	—	—	—	18,580	—	18,580
Debt securities available-for-sale	—	—	—	—	(160)	—	(160)
Vesting of restricted stock	262	3	(3)	—	—	—	—
Repurchase and cancellation of common stock	(860)	(9)	4,527	(43,972)	—	—	(39,454)
Share-based compensation expense	—	—	3,891	—	—	—	3,891
Employee stock relinquished for payment of taxes	—	—	(8,415)	—	—	—	(8,415)
Balance at March 31, 2022	40,410	\$ 404	\$ —	\$ 1,548,845	\$ (243,709)	\$ 40,627	\$ 1,346,167

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Noncontrolling	Total
	Shares	Amount	Capital	Earnings	(Loss)	Interest	Equity
Balance at December 31, 2020	45,585	\$ 456	\$ 75,282	\$ 1,511,970	\$ (245,791)	\$ 31,609	\$ 1,373,526
Effect of change in accounting principle ⁽¹⁾	—	—	(26,697)	12,008	—	—	(14,689)
Balance at January 1, 2021	45,585	456	48,585	1,523,978	(245,791)	31,609	1,358,837
Components of comprehensive income, net of tax:							
Net income	—	—	—	58,406	—	3,474	61,880
Currency translation adjustments	—	—	—	—	(20,108)	(4,423)	(24,531)
Cash flow hedges	—	—	—	—	12,323	—	12,323
Distributions to noncontrolling interest	—	—	—	—	—	(3,933)	(3,933)
Vesting of restricted stock	214	2	(2)	—	—	—	—
Share-based compensation expense	—	—	4,113	—	—	—	4,113
Employee stock relinquished for payment of taxes	—	—	(5,460)	—	—	—	(5,460)
Balance at March 31, 2021	45,799	\$ 458	\$ 47,236	\$ 1,582,384	\$ (253,576)	\$ 26,727	\$ 1,403,229

(1) Reflects adjustments recorded for the January 1, 2021 adoption of an accounting update. Refer to the Company's 2021 Annual Report on Form 10-K for more information.

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2022 and 2021
(unaudited)
(Amounts in thousands)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 34,618	\$ 61,880
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	3,891	4,113
Depreciation and amortization	3,778	3,981
Amortization of debt discount and issuance costs	2,627	2,256
Changes in expected recoveries	(29,914)	(50,136)
Deferred income taxes	7,203	10,371
Net unrealized foreign currency transactions	(7,126)	2,134
Fair value in earnings for equity securities	(60)	(107)
Other	(253)	(419)
Changes in operating assets and liabilities:		
Other assets	738	10,713
Accounts payable	1,765	(431)
Income taxes payable, net	(13,290)	(3,669)
Accrued expenses	(26,775)	(20,227)
Other liabilities	(87)	(336)
Right of use asset/lease liability	141	85
Net cash (used)/provided by operating activities	(22,744)	20,208
Cash flows from investing activities:		
Purchases of property and equipment, net	(3,744)	(2,366)
Purchases of finance receivables	(147,452)	(159,328)
Recoveries applied to negative allowance	278,271	328,559
Purchases of investments	(1,521)	—
Proceeds from sales and maturities of investments	775	764
Business acquisition, net of cash acquired	—	(647)
Net cash provided by investing activities	126,329	166,982
Cash flows from financing activities:		
Proceeds from lines of credit	106,371	45,369
Principal payments on lines of credit	(154,810)	(226,621)
Principal payments on long-term debt	(2,500)	(2,500)
Repurchases of common stock	(48,702)	—
Payments of origination cost and fees	(614)	(113)
Tax withholdings related to share-based payments	(8,415)	(5,460)
Distributions paid to noncontrolling interest	—	(3,933)
Net (decrease)/increase in interest-bearing deposits	(3,977)	303
Net cash used in financing activities	(112,647)	(192,955)
Effect of exchange rate on cash	910	(6,427)
Net decrease in cash and cash equivalents	(8,152)	(12,192)
Cash and cash equivalents beginning of period	89,072	121,047
Cash and cash equivalents, end of period	\$ 80,920	\$ 108,855
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	\$ 27,196	\$ 32,622
Cash paid for income taxes	10,610	10,463
<u>Cash, cash equivalents and restricted cash reconciliation:</u>		
Cash and cash equivalents per Consolidated Balance Sheets	\$ 79,089	\$ 92,798
Restricted cash included in Other assets per Consolidated Balance Sheets	1,831	16,057
Total cash, cash equivalents and restricted cash	\$ 80,920	\$ 108,855

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. Organization and Business:

Nature of operations: As used herein, the terms "PRA Group," the "Company," or similar terms refer to PRA Group, Inc. and its subsidiaries.

PRA Group, Inc., a Delaware corporation, is a global financial and business services company with operations in the Americas, Europe and Australia. The Company's primary business is the purchase, collection and management of portfolios of nonperforming loans. The Company also provides fee-based services on class action claims recoveries and by servicing consumer bankruptcy accounts in the United States ("U.S.").

Basis of presentation: The Consolidated Financial Statements of the Company are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The accompanying interim financial statements have been prepared in accordance with the instructions for Quarterly Reports on Form 10-Q and, therefore, do not include all information and Notes to the Consolidated Financial Statements necessary for a complete presentation of financial position, results of operations, comprehensive income/(loss) and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the Company's Consolidated Balance Sheets as of March 31, 2022, its Consolidated Income Statements, Statements of Comprehensive Income/(Loss), Consolidated Statements of Changes in Equity and Statements of Cash Flows for the three months ended March 31, 2022 and 2021 have been included. The Company's Consolidated Income Statements for the three months ended March 31, 2022 may not be indicative of future results.

These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K").

Consolidation: The Consolidated Financial Statements include the accounts of PRA Group and other entities in which the Company has a controlling interest. All significant intercompany accounts and transactions have been eliminated.

Entities in which the Company has a controlling financial interest, through ownership of the majority of the entities' voting equity interests, or through other contractual rights that give the Company control, consist of entities which purchase and collect on portfolios of nonperforming loans.

Investments in companies in which the Company has significant influence over operating and financing decisions, but does not own a majority of the voting equity interests, are accounted for in accordance with the equity method of accounting, which requires the Company to recognize its proportionate share of the entity's net earnings. These investments are included in Other assets, with income or loss included in Other revenue.

The Company performs on-going reassessments of whether changes in the facts and circumstances regarding the Company's involvement with an entity cause the Company's consolidation conclusion to change.

Segments: The Company has determined that it has two operating segments that meet the aggregation criteria of Accounting Standards Codification ("ASC") 280, Segment Reporting ("ASC 280") and, therefore, it has one reportable segment, accounts receivable management. This conclusion is based on similarities among the operating units, including economic characteristics, the nature of the products and services, the nature of the production processes, the types or class of customer for their products and services, the methods used to distribute their products and services and the nature of the regulatory environment.

The following tables show the amount of revenue generated for the three months ended March 31, 2022 and 2021, and long-lived assets held at March 31, 2022 and 2021, both for the U.S., the Company's country of domicile, and outside of the U.S. (amounts in thousands):

	As of and for the Three Months Ended March 31, 2022		As of and for the Three Months Ended March 31, 2021	
	Revenues ⁽²⁾	Long-Lived Assets	Revenues ⁽²⁾	Long-Lived Assets
United States	\$ 151,425	\$ 85,809	\$ 178,181	\$ 96,630
United Kingdom	43,954	6,851	48,177	2,269
Other ⁽¹⁾	45,226	16,834	63,111	8,765
Total	<u>\$ 240,605</u>	<u>\$ 109,494</u>	<u>\$ 289,469</u>	<u>\$ 107,664</u>

PRA Group, Inc.
Notes to Consolidated Financial Statements

(1) None of the countries included in "Others" comprise greater than 10% of the Company's consolidated revenues or long-lived assets.

(2) Based on the Company's financial statement information used to produce the Company's general-purpose financial statements, it is impracticable to report further breakdowns of revenues from external customers by product or service.

Revenues are attributed to countries based on the location of the related operations. Long-lived assets consist of net property and equipment and right-of-use assets. The Company reports revenues earned from collection activities on nonperforming loans, fee-based services and investments. For additional information on the Company's investments, see [Note 3](#).

2. Finance Receivables, net:

Finance receivables, net consisted of the following at March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022	December 31, 2021
Amortized cost	\$ —	\$ —
Negative allowance for expected recoveries ⁽¹⁾	3,310,747	3,428,285
Balance at end of period	<u>\$ 3,310,747</u>	<u>\$ 3,428,285</u>

(1) The negative allowance balance includes certain portfolios of nonperforming loans for which the Company holds a beneficial interest representing approximately 0.9% of the balance.

Changes in the negative allowance for expected recoveries by portfolio segment for the three months ended March 31, 2022 and 2021 were as follows (amounts in thousands):

	Three Months Ended March 31, 2022		
	Core	Insolvency	Total
Balance at beginning of period	\$ 2,989,932	\$ 438,353	\$ 3,428,285
Initial negative allowance for expected recoveries - portfolio acquisitions ⁽¹⁾	129,404	18,048	147,452
Foreign currency translation adjustment	(11,009)	(5,624)	(16,633)
Recoveries applied to negative allowance ⁽²⁾	(231,153)	(47,118)	(278,271)
Changes in expected recoveries ⁽³⁾	25,147	4,767	29,914
Balance at end of period	<u>\$ 2,902,321</u>	<u>\$ 408,426</u>	<u>\$ 3,310,747</u>

	Three Months Ended March 31, 2021		
	Core	Insolvency	Total
Balance at beginning of period	\$ 3,019,477	\$ 495,311	\$ 3,514,788
Initial negative allowance for expected recoveries - portfolio acquisitions ⁽¹⁾	133,007	25,954	158,961
Foreign currency translation adjustment	(24,249)	1,589	(22,660)
Recoveries applied to negative allowance ⁽²⁾	(285,171)	(43,388)	(328,559)
Changes in expected recoveries ⁽³⁾	48,410	1,726	50,136
Balance at end of period	<u>\$ 2,891,474</u>	<u>\$ 481,192</u>	<u>\$ 3,372,666</u>

(1) Initial negative allowance for expected recoveries - portfolio acquisitions

Portfolio acquisitions for the three months ended March 31, 2022 and 2021 were as follows (amounts in thousands):

	Three Months Ended March 31, 2022		
	Core	Insolvency	Total
Face value	\$ 948,057	\$ 97,083	\$ 1,045,140
Noncredit discount	(91,600)	(5,852)	(97,452)
Allowance for credit losses at acquisition	(727,053)	(73,183)	(800,236)
Purchase price	<u>\$ 129,404</u>	<u>\$ 18,048</u>	<u>\$ 147,452</u>

PRA Group, Inc.
Notes to Consolidated Financial Statements

	Three Months Ended March 31, 2021		
	Core	Insolvency	Total
Face value	\$ 1,088,655	\$ 134,811	\$ 1,223,466
Noncredit discount	(132,532)	(7,498)	(140,030)
Allowance for credit losses at acquisition	(823,116)	(101,359)	(924,475)
Purchase price	\$ 133,007	\$ 25,954	\$ 158,961

The initial negative allowance recorded on portfolio acquisitions for the three months ended March 31, 2022 and 2021 was as follows (amounts in thousands):

	Three Months Ended March 31, 2022		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	\$ (727,053)	\$ (73,183)	\$ (800,236)
Writeoffs, net	727,053	73,183	800,236
Expected recoveries	129,404	18,048	147,452
Initial negative allowance for expected recoveries	\$ 129,404	\$ 18,048	\$ 147,452

	Three Months Ended March 31, 2021		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	\$ (823,116)	\$ (101,359)	\$ (924,475)
Writeoffs, net	823,116	101,359	924,475
Expected recoveries	133,007	25,954	158,961
Initial negative allowance for expected recoveries	\$ 133,007	\$ 25,954	\$ 158,961

(2) Recoveries applied to negative allowance

Recoveries applied to the negative allowance were calculated as follows for the three months ended March 31, 2022 and 2021 (amounts in thousands):

	Three Months Ended March 31, 2022		
	Core	Insolvency	Total
Recoveries ^(a)	\$ 425,508	\$ 60,295	\$ 485,803
Less - amounts reclassified to portfolio income	194,355	13,177	207,532
Recoveries applied to negative allowance	\$ 231,153	\$ 47,118	\$ 278,271

	Three Months Ended March 31, 2021		
	Core	Insolvency	Total
Recoveries ^(a)	\$ 500,332	\$ 59,899	\$ 560,231
Less - amounts reclassified to portfolio income	215,161	16,511	231,672
Recoveries applied to negative allowance	\$ 285,171	\$ 43,388	\$ 328,559

(a) Recoveries includes cash collections, buybacks and other cash-based adjustments.

(3) Changes in expected recoveries

Changes in expected recoveries consisted of the following for the three months ended March 31, 2022 and 2021 (amounts in thousands):

	Three Months Ended March 31, 2022		
	Core	Insolvency	Total
Changes in expected future recoveries	\$ 9,771	\$ (3,525)	\$ 6,246
Recoveries received in excess of forecast	15,376	8,292	23,668
Changes in expected recoveries	<u>\$ 25,147</u>	<u>\$ 4,767</u>	<u>\$ 29,914</u>

	Three Months Ended March 31, 2021		
	Core	Insolvency	Total
Changes in expected future recoveries	\$ (46,502)	\$ (6,350)	\$ (52,852)
Recoveries received in excess of forecast	94,912	8,076	102,988
Changes in expected recoveries	<u>\$ 48,410</u>	<u>\$ 1,726</u>	<u>\$ 50,136</u>

In order to make estimates of cash collections, the Company considered historical performance, current economic forecasts, short-term and long-term growth and consumer habits in the various geographies in which the Company operates. The Company considered recent collection activity in its determination to adjust assumptions related to near-term estimated remaining collections ("ERC") for certain pools. Based on these considerations, the Company's estimates incorporate changes in both amounts and in the timing of expected cash collections over the forecast period.

Changes in expected recoveries for the three months ended March 31, 2022 were a net positive \$29.9 million. This reflects \$23.7 million in recoveries received in excess of forecast reflecting strong cash collections overperformance in Europe and a \$6.2 million positive adjustment to changes in expected future recoveries. The changes in expected future recoveries includes the Company's continued assumption that the majority of the overperformance was due to acceleration in the timing of cash collections. The Company also made near-term adjustments to expected future collections in certain geographies bringing them in line with recent performance trends with corresponding adjustments made later in the forecast period. The change in expected recoveries included a \$20.5 million write down on one portfolio in Brazil.

Changes in expected recoveries for the three months ended March 31, 2021 were a net positive \$50.1 million. This reflected \$103.0 million in recoveries received in excess of forecast, which was largely due to significant cash collections overperformance, reduced by a \$52.9 million negative adjustment to changes in expected future recoveries. The change in expected future recoveries reflect the Company's assumption that the majority of the overperformance was due to acceleration in the timing of cash collections rather than an increase to total expected collections.

3. Investments:

Investments consisted of the following at March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022	December 31, 2021
Debt securities		
Available-for-sale	\$ 75,202	\$ 77,538
Equity securities		
Exchange traded funds	3,406	1,746
Private equity funds	5,059	5,137
Mutual funds	508	508
Equity method investments	9,074	8,048
Total investments	<u>\$ 93,249</u>	<u>\$ 92,977</u>

Debt Securities

Available-for-sale

Government securities: The Company's investments in government instruments, including bonds and treasury securities, are classified as available-for-sale and are stated at fair value.

The amortized cost and estimated fair value of investments in debt securities at March 31, 2022 and December 31, 2021 were as follows (amounts in thousands):

	March 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government securities	\$ 75,582	\$ —	\$ 380	\$ 75,202

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government securities	\$ 77,757	\$ —	\$ 219	\$ 77,538

Equity Securities

Exchange traded funds: The Company invests in certain treasury bill exchange traded funds, which were accounted for as equity securities and carried at fair value. Gains and losses from these investments are included within Other income and (expense) in the Company's Consolidated Income Statements.

Private equity funds: Investments in private equity funds represent limited partnerships in which the Company has less than a 1% interest.

Mutual funds: Mutual funds represent funds held in Brazil in a Brazilian real denominated mutual fund benchmarked to the U.S. dollar that invests principally in Brazilian fixed income securities. The investments are carried at fair value based on quoted market prices. Gains and losses from these investments are included as a foreign exchange component of Other income and (expense) in the Company's Consolidated Income Statements.

Equity Method Investments

The Company has an 11.7% interest in RCB Investimentos S.A. ("RCB"), a servicing platform for nonperforming loans in Brazil. This investment is accounted for on the equity method because the Company exercises significant influence over RCB's operating and financial activities. Accordingly, the Company's investment in RCB is adjusted for the Company's proportionate share of RCB's earnings or losses, capital contributions made and distributions received.

4. Goodwill:

The Company performs an annual review of goodwill as of October 1 of each year or more frequently if indicators of impairment exist. The Company performed its most recent annual review as of October 1, 2021 and concluded that no goodwill impairment was necessary. The Company performed its quarterly assessment by evaluating whether any triggering events had occurred as of March 31, 2022, which included considering current market condition and concluded that no such event had occurred as of March 31, 2022.

The changes in goodwill for the three months ended March 31, 2022 and 2021, were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Balance at beginning of period	\$ 480,263	\$ 492,989
Change in foreign currency translation adjustment	3,117	(238)
Balance at end of period	\$ 483,380	\$ 492,751

5. Leases:

The Company's operating lease portfolio primarily includes corporate offices and call centers. The majority of its leases have remaining lease terms of one year to 15 years, some of which include options to extend the leases for up to five years, and others include options to terminate the leases within one year. Exercises of lease renewal options are typically at the Company's sole discretion and are included in its right-of-use ("ROU") assets and lease liabilities based upon whether the Company is reasonably certain of exercising the renewal options. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

The components of lease expense for the three months ended March 31, 2022 and 2021, were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Operating lease expense	\$ 3,232	\$ 2,981
Short-term lease expense	904	676
Sublease income	(115)	—
Total lease expense	<u>\$ 4,021</u>	<u>\$ 3,657</u>

Supplemental cash flow information and non-cash activity related to leases for the three months ended March 31, 2022 and 2021 were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 3,098	\$ 2,865
ROU assets obtained in exchange for operating lease obligations	1,106	304

Lease term and discount rate information related to operating leases was as follows:

	Three Months Ended March 31,	
	2022	2021
Weighted-average remaining lease term (years)	8.4	9.0
Weighted-average discount rate	4.48 %	4.72 %

Maturities of lease liabilities at March 31, 2022 were as follows for the following periods (amounts in thousands):

	Operating Leases
For the nine months ending December 31, 2022	\$ 8,428
For the year ending December 31, 2023	9,657
For the year ending December 31, 2024	9,080
For the year ending December 31, 2025	8,834
For the year ending December 31, 2026	7,709
Thereafter	28,441
Total lease payments	<u>\$ 72,149</u>
Less: imputed interest	12,443
Total present value of lease liabilities	<u>\$ 59,706</u>

6. Borrowings:

The Company's borrowings consisted of the following as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022	December 31, 2021
Americas revolving credit ⁽¹⁾	\$ 372,870	\$ 372,119
Europe revolving credit	727,417	795,687
Term loan	457,500	460,000
Senior notes	650,000	650,000
Convertible notes	345,000	345,000
	2,552,787	2,622,806
Less: Debt discount and issuance costs	(13,325)	(14,092)
Total	<u>\$ 2,539,462</u>	<u>\$ 2,608,714</u>

(1) Includes a credit agreement with Banco de Occidente. As of March 31, 2022 and December 31, 2021, the outstanding balance under the credit agreement was approximately \$0.9 million, with interest rates of 8.69% and 5.85%, respectively.

The following principal payments were due on the Company's borrowings as of March 31, 2022 for the 12-month periods ending March 31, (amounts in thousands):

2023	\$ 10,324
2024	1,082,741
2025	10,242
2026	310,000
2027	789,480
Thereafter	350,000
Total	<u>\$ 2,552,787</u>

The Company determined that it was in compliance with the covenants of its financing arrangements as of March 31, 2022.

North American Revolving Credit and Term Loan

The Company has a credit agreement with Bank of America, N.A., as administrative agent, Bank of America, National Association, acting through its Canada branch, as the Canadian Administrative Agent, and a syndicate of lenders named therein (the "North American Credit Agreement").

The total credit facility under the North American Credit Agreement includes an aggregate principal amount of \$1.5 billion (subject to compliance with a borrowing base and applicable debt covenants), which consists of (i) a fully-funded \$457.5 million term loan, (ii) a \$1.0 billion domestic revolving credit facility, and (iii) a \$75.0 million Canadian revolving credit facility. The facility includes an accordion feature for up to \$500.0 million in additional commitments (at the option of the lenders) and also provides for up to \$25.0 million of letters of credit and a \$25.0 million swingline loan sub-limit that would reduce amounts available for borrowing. The term and revolving loans accrue interest, at the option of the Company, at either the base rate, Canadian dollar offered rate, or the Eurodollar rate (each, as defined in the North American Credit Agreement), for the applicable term plus 2.25% per annum, or 2.00% if the consolidated senior secured leverage ratio (as defined in the North American Credit Agreement) is less than or equal to 1.60 to 1.0. The revolving loans within the credit facility are subject to a 0.0% floor. The revolving credit facilities also bear an unused line fee of 0.35% per annum, or 0.30% if the consolidated senior secured leverage ratio (as defined in the North American Credit Agreement) is less than or equal to 1.60 to 1.0, payable quarterly in arrears and matures July 30, 2026. As of March 31, 2022, the unused portion of the North American Credit Agreement was \$703.0 million. Considering borrowing base restrictions, as of March 31, 2022, the amount available to be drawn was \$72.9 million.

Borrowings under the North American Credit Agreement are guaranteed by the Company's U.S. and Canadian subsidiaries (provided that the Canadian subsidiaries only guarantee borrowings under the Canadian revolving credit facility)

and are secured by a first priority lien on substantially all of the Company's North American assets. The North American Credit Agreement contains restrictive covenants and events of default, including the following:

- the ERC borrowing base is 35% for all eligible core asset pools and 55% for all insolvency eligible asset pools;
- the consolidated total leverage ratio cannot exceed 3.50 to 1.0 as of the end of any fiscal quarter;
- the consolidated senior secured leverage ratio cannot exceed 2.25 to 1.0 as of the end of any fiscal quarter;
- subject to no default or event of default, cash dividends and distributions during any fiscal year cannot exceed \$20.0 million; and
- the Company must maintain positive consolidated income from operations during any fiscal quarter.

European Revolving Credit Facility

European subsidiaries of the Company ("PRA Europe") are parties to a credit agreement with DNB Bank ASA and a syndicate of lenders named therein, for a Multicurrency Revolving Credit Facility (the "European Credit Agreement").

The European Credit Agreement provides borrowings for an aggregate amount of approximately \$1.35 billion (subject to the borrowing base), accrues interest at the Interbank Offered Rate plus 2.70% - 3.80% (as determined by the ERC ratio ("ERC Ratio") as defined in the European Credit Agreement), bears an unused line fee, currently 1.12% per annum, or 35% of the margin, is payable monthly in arrears and matures February 19, 2023. The European Credit Agreement also includes an overdraft facility in the aggregate amount of \$40.0 million (subject to the borrowing base), which accrues interest (per currency) at the daily rates as published by the facility agent, bears a facility line fee of 0.125% per quarter, payable quarterly in arrears and matures February 19, 2023. As of March 31, 2022, the unused portion of the European Credit Agreement (including the overdraft facility) was \$662.6 million. Considering borrowing base restrictions and other covenants as of March 31, 2022, the amount available to be drawn under the European Credit Agreement (including the overdraft facility) was \$498.2 million.

Borrowings under the European Credit Agreement are guaranteed by substantially all of the Company's European subsidiaries and are secured by the shares of most of the Company's European subsidiaries and all intercompany loans receivable in Europe. The European Credit Agreement contains restrictive covenants and events of default, including the following:

- the ERC Ratio cannot exceed 45%;
- the gross interest-bearing debt ratio in Europe cannot exceed 3.25 to 1.0 as of the end of any fiscal quarter;
- interest bearing deposits in AK Nordic AB cannot exceed SEK 1.2 billion; and
- PRA Europe's cash collections must meet certain thresholds, measured on a quarterly basis.

On March 29, 2022, in connection with the refinancing of the Company's European credit facilities, the Company executed the Eighth Amendment and Restatement to its European Credit Agreement ("Eighth Amendment"). On April 7, 2022, the Eighth Amendment was made effective, and among other things, extended the agreement for one year to February 19, 2024 and decreased aggregate borrowing limits by \$600.0 million.

UK Revolving Credit Facility

On April 1, 2022, PRA Group Europe Holding I S.a r.l ("PRA Group Europe"), a wholly owned subsidiary of the Company, entered into a credit agreement (the "UK Credit Agreement") with PRA UK and the Company, as guarantors, the lenders party thereto and MUFG Bank, Ltd., London Branch, as the administrative agent (the "Administrative Agent").

The UK Credit Agreement consists of an \$800.0 million revolving credit facility (subject to a borrowing base), and an accordion feature for up to \$200.0 million in additional commitments, subject to certain conditions. Borrowings, which will be available in U.S. dollars, euro and pounds sterling, will accrue interest, for the applicable term at the risk free rate applicable to U.S. dollars (Secured Overnight Financing Rate) or sterling (Sterling Overnight Interbank Average Rate) or, in the case of euro borrowings, Euribor plus an applicable margin of 2.50% per annum plus a credit adjustment spread of 0.10%. If the consolidated senior secured leverage ratio is greater than 1.60 to 1.0, the applicable margin will increase to 2.75%. The UK Credit Agreement also has a commitment fee of 0.30% per annum, payable quarterly in arrears. If the consolidated senior secured leverage ratio is greater than 1.60 to 1.0, the commitment fee increases to 0.35% per annum. The UK Credit Agreement matures on July 30, 2026.

The UK Credit Agreement is secured by substantially all of the assets of PRA Group UK Limited ("PRA UK"), all of the equity interests in PRA UK and PRA Group Europe, certain bank accounts of PRA Group Europe and certain intercompany

loans extended by PRA Group Europe to PRA UK. The UK Credit Agreement contains restrictive covenants and events of default, including the following:

- the borrowing base equals the sum of up to: (i) 35% of the estimated remaining collections of PRA UK's eligible asset pools; plus (ii) 55% of PRA UK's insolvency eligible asset pools; minus (iii) certain reserves to be established by the Administrative Agent;
- the Company's consolidated leverage ratio can not exceed 3.50 to 1.0 as of the end of any fiscal quarter;
- the Company's consolidated senior secured leverage ratio cannot exceed 2.25 to 1.0 as of the end of any fiscal quarter; and
- the Company must maintain positive consolidated income from operations during any fiscal quarter.

Senior Notes due 2029

On September 22, 2021, the Company completed the private offering of \$350.0 million in aggregate principal amount of its 5.00% Senior Notes due October 1, 2029 (the "2029 Notes"). The 2029 Notes were issued pursuant to an Indenture dated September 22, 2021 (the "2021 Indenture"), between the Company and Regions Bank, as trustee. The 2021 Indenture contains customary terms and covenants, including certain events of default after which the 2029 Notes may be due and payable immediately. The 2029 Notes are senior unsecured obligations of the Company and are guaranteed on a senior unsecured basis by all of the Company's existing and future domestic restricted subsidiaries that guarantee the North American Credit Agreement, subject to certain exceptions. Interest on the 2029 Notes is payable semi-annually, in arrears, on October 1 and April 1 of each year.

On or after October 1, 2024, the 2029 Notes may be redeemed, at the Company's option in whole or in part at a price equal to 102.50% of the aggregate principal amount of the 2029 Notes being redeemed. The applicable redemption price changes if redeemed during the 12-months beginning October 1 of each year to 101.25% for 2025 and then 100% for 2026 and thereafter.

In addition, on or before October 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the 2029 Notes at a redemption price of 105.00% plus accrued and unpaid interest subject to the rights of holders of the 2029 Notes with the net cash proceeds of a public offering of common stock of the Company provided, that at least 60% in aggregate principal amount of the 2029 Notes remains outstanding immediately after the occurrence of such redemption and that such redemption will occur within 90 days of the date of the closing of such public offering.

In the event of a change of control (as defined in the 2021 Indenture), each holder will have the right to require the Company to repurchase all or any part of such holder's 2029 Notes at an offer price equal to 101% of the aggregate principal amount plus accrued and unpaid interest. If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company will be required to make an offer to repurchase the 2029 Notes at 100% of their principal amount.

Senior Notes due 2025

On August 27, 2020, the Company completed the private offering of \$300.0 million in aggregate principal amount of its 7.375% Senior Notes due September 1, 2025 (the "2025 Notes" and, together with the 2029 Notes, the "Senior Notes"). The 2025 Notes were issued pursuant to an Indenture dated August 27, 2020 (the "2020 Indenture"), between the Company and Regions Bank, as a trustee. The 2020 Indenture contains customary terms and covenants, including certain events of default after which the 2025 Notes may be due and payable immediately. The 2025 Notes are senior unsecured obligations of the Company and are guaranteed on a senior unsecured basis by all of the Company's existing and future domestic restricted subsidiaries that guarantee the North American Credit Agreement, subject to certain exceptions. Interest on the 2025 Notes is payable semi-annually, in arrears, on March 1 and September 1 of each year.

On or after September 1, 2022, the 2025 Notes may be redeemed, in whole or in part, at a price equal to 103.688% of the aggregate principal amount of the 2025 Notes being redeemed. The applicable redemption price changes if redeemed during the 12-months beginning September 1 of each year to, 101.844% for 2023 and then 100% for 2024 and thereafter.

In addition, on or before September 1, 2022, the Company may redeem up to 40% of the aggregate principal amount of the 2025 Notes at a redemption price of 107.375% plus accrued and unpaid interest subject to the rights of holders of the 2025 Notes with the net cash proceeds of a public offering of common stock of the Company provided, that at least 60% in aggregate principal amount of the 2025 Notes remains outstanding immediately after the occurrence of such redemption and that such redemption will occur within 90 days of the date of the closing of such public offering.

In the event of a change of control (as defined in the 2020 Indenture), each holder will have the right to require the Company to repurchase all or any part of such holder's 2025 Notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest. If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company will be required to make an offer to repurchase the 2025 Notes at 100% of their principal amount.

Convertible Senior Notes due 2023

On May 26, 2017, the Company completed the private offering of \$345.0 million in aggregate principal amount of its 3.50% Convertible Senior Notes due June 1, 2023 (the "2023 Notes" or "Convertible Notes"). The 2023 Notes were issued pursuant to an Indenture, dated May 26, 2017 (the "2017 Indenture"), between the Company and Regions Bank, as trustee. The 2017 Indenture contains customary terms and covenants, including certain events of default after which the 2023 Notes may be due and payable immediately. The 2023 Notes are senior unsecured obligations of the Company. Interest on the 2023 Notes is payable semi-annually, in arrears, on June 1 and December 1 of each year.

The holders of the 2023 Notes have the right to convert all, or a portion of, the 2023 Notes upon occurrence of specific events prior to the close of business on the business day immediately preceding prior to March 1, 2023, including:

- if during any calendar quarter, the last reported sales price of the Company's common stock is greater than 130% of the conversion price for at least 20 trading days during the period of 30 consecutive trading days;
- if the trading price of the 2023 Notes is less than 98% of the product of the last reported sales price of the Company's common stock and the conversion rate for a 10 consecutive trading day period;
- the Company elects to issue to all, or substantially all, holders of its common stock any rights, options or warrants entitling them, for a period of more than 45 calendar days, to subscribe for or purchase shares at a price per share that is less than the average of the last reported sales price (as defined in the 2017 Indenture) for the 10 consecutive trading day-period ending on the trading day immediately preceding the date of announcement of such issuance;
- the Company elects to distribute to all, or substantially all, holders of its common stock the Company's assets, debt securities or rights to purchase securities of the Company, which distribution has a share value exceeding 10% of the last reported sale price (as defined in the 2017 Indenture) on the trading day preceding the announcement of such distribution; or
- a transaction occurs that constitutes a fundamental change (as defined in the 2017 Indenture) or, the Company is party to a consolidation, merger, binding share exchange, or transfer or lease of all, or substantially all, of the Company's assets.

On or after March 1, 2023, the 2023 Notes will be convertible at any time. As of March 31, 2022, the Company does not believe that any of the conditions allowing holders of the 2023 Notes to convert their notes has occurred.

Furthermore, the Company has the right, at its election, to redeem all or any part of the outstanding 2023 Notes at any time for cash, but only if the last reported sale price (as defined in the 2017 Indenture) of the Company's common stock exceeds 130% of the conversion price on each of at least 20 trading days during the 30 consecutive trading days ending on and including the trading day immediately before the date the Company sends the related redemption notice.

The conversion rate for the 2023 Notes is 21.6275 shares per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$46.24 per share of the Company's common stock, and is subject to adjustment in certain circumstances pursuant to the 2017 Indenture. Upon conversion, holders of the 2023 Notes will receive cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. The Company has made an irrevocable election to settle conversions by paying holders of the 2023 Notes cash up to the aggregate principal amount of the 2023 Notes and shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, for the remaining amounts owed, if any.

In accordance with authoritative guidance related to derivatives and hedging and EPS, only the conversion spread is included in the diluted EPS calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when the market conversion criteria is met.

The Company determined that the fair value of the 2023 Notes at the date of issuance was approximately \$298.8 million, and designated the residual value of approximately \$46.2 million as the equity component. Additionally, the Company allocated approximately \$8.3 million of the \$9.6 million of issuance cost as debt issuance cost and the remaining \$1.3 million as equity issuance cost.

PRA Group, Inc.
Notes to Consolidated Financial Statements

The balances of the liability component of the 2023 Notes outstanding as of March 31, 2022 and December 31, 2021, were as follows (amounts in thousands):

	March 31, 2022	December 31, 2021
Liability component - principal amount	\$ 345,000	\$ 345,000
Unamortized debt issuance costs	(2,055)	(2,476)
Liability component - net carrying amount	\$ 342,945	\$ 342,524

The Company amortizes debt issuance costs over the life of the debt using an effective interest rate of 4.00%.

Interest expense related to the 2023 Notes for the three and three months ended March 31, 2022 and 2021, were as follows (amounts in thousands):

	Three Months Ended March 31, 2022	2021
Interest expense - stated coupon rate	\$ 3,019	\$ 3,019
Interest expense - amortization of debt issuance costs	420	404
Total interest expense - convertible notes	\$ 3,439	\$ 3,423

7. Derivatives:

The Company periodically enters into derivative financial instruments, typically interest rate swap agreements, interest rate caps and foreign currency contracts, to reduce its exposure to fluctuations in interest rates on variable-rate debt and foreign currency exchange rates. The Company does not utilize derivative financial instruments with a level of complexity or with a risk greater than the exposure to be managed nor does it enter into or hold derivatives for trading or speculative purposes. The Company periodically reviews the creditworthiness of the counterparty to assess the counterparty's ability to honor its obligation. Counterparty default would expose the Company to fluctuations in interest and currency rates. Derivative financial instruments are recognized at fair value in the Company's Consolidated Balance Sheets.

The following tables summarize the fair value of derivative instruments in the Company's Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022		December 31, 2021	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Other assets	\$ 15,337	Other assets	\$ 6,251
Interest rate contracts	Other liabilities	1,114	Other liabilities	14,879
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other assets	6,080	Other assets	3,534
Foreign currency contracts	Other liabilities	1,946	Other liabilities	11,099

Derivatives Designated as Hedging Instruments:

Changes in fair value of derivative contracts designated as cash flow hedging instruments are recognized in other comprehensive income ("OCI"). As of March 31, 2022 and December 31, 2021, the notional amount of interest rate contracts designated as cash flow hedging instruments was \$757.3 million and \$869.1 million, respectively. Derivatives designated as cash flow hedging instruments were evaluated and remained highly effective at March 31, 2022 and have terms of one to four years. The Company estimates that approximately \$2.4 million of net derivative gain included in OCI will be reclassified into earnings within the next 12 months.

The following tables summarize the effects of derivatives designated as cash flow hedging instruments on the Company's Consolidated Financial Statements for the three months ended March 31, 2022 and 2021 (amounts in thousands):

PRA Group, Inc.
Notes to Consolidated Financial Statements

	Gain or (loss) recognized in OCI, net of tax	
	March 31, 2022	March 31, 2021
Derivatives designated as cash flow hedging instruments		
Interest rate contracts	\$ 16,410	\$ 9,692
	Gain or (loss) reclassified from OCI into income	
	March 31, 2022	March 31, 2021
Location of gain or (loss) reclassified from OCI into income		
Interest expense, net	\$ (2,734)	\$ (3,336)

Derivatives Not Designated as Hedging Instruments:

Changes in fair value of derivative contracts not designated as hedging instruments are recognized in earnings. The Company also enters into foreign currency contracts to economically hedge the foreign currency re-measurement exposure related to certain balances that are denominated in currencies other than the functional currency of the entity. As of March 31, 2022 and December 31, 2021, the notional amount of foreign currency contracts that were not designated as hedging instruments was \$1,135.0 million and \$1,061.7 million, respectively.

The following table summarizes the effects of derivatives not designated as hedging instruments on the Company's Consolidated Income Statements for the three months ended March 31, 2022 and 2021 (amounts in thousands):

	Location of gain or (loss) recognized in income	Amount of gain or (loss) recognized in income	
		March 31, 2022	March 31, 2021
Derivatives not designated as hedging instruments			
Foreign currency contracts	Foreign exchange gain	\$ 6,493	\$ 2,097
Foreign currency contracts	Interest expense, net	(332)	114

8. Fair Value:

As defined by ASC Topic 820, "Fair Value Measurement and Disclosures" ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 requires the consideration of differing levels of inputs in the determination of fair values.

Those levels of input are summarized as follows:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Financial Instruments Not Required To Be Carried at Fair Value

In accordance with the disclosure requirements of ASC Topic 825, "Financial Instruments" ("ASC 825"), the table below summarizes fair value estimates for the Company's financial instruments that are not required to be carried at fair value. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

PRA Group, Inc.
Notes to Consolidated Financial Statements

The carrying amounts in the table were recorded in the Company's Consolidated Balance Sheets at March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 79,089	\$ 79,089	\$ 87,584	\$ 87,584
Finance receivables, net	3,310,747	3,166,420	3,428,285	3,317,658
Financial liabilities:				
Interest-bearing deposits	117,035	117,035	124,623	124,623
Revolving lines of credit	1,100,287	1,100,287	1,167,806	1,167,806
Term loan	457,500	457,500	460,000	460,000
Senior Notes	650,000	645,568	650,000	673,366
Convertible Notes	345,000	383,309	345,000	406,607

Disclosure of the estimated fair values of financial instruments often requires the use of estimates. The carrying amount and estimates of the fair value of the Company's debt obligations outlined above do not include any related debt issuance costs associated with the debt obligations. The Company uses the following methods and assumptions to estimate the fair value of financial instruments:

Cash and cash equivalents: The carrying amount approximates fair value and quoted prices for identical assets that can be found in active markets. Accordingly, the Company estimates the fair value of cash and cash equivalents using Level 1 inputs.

Finance receivables, net: The Company estimates the fair value of these receivables using proprietary pricing models that the Company utilizes to make portfolio acquisition decisions. Accordingly, the Company's fair value estimates use Level 3 inputs as there is little observable market data available and management is required to use significant judgment in its estimates.

Interest-bearing deposits: The carrying amount approximates fair value due to the short-term nature of the deposits and the observable quoted prices for similar instruments in active markets. Accordingly, the Company uses Level 2 inputs for its fair value estimates.

Revolving lines of credit: The carrying amount approximates fair value due to the short-term nature of the interest rate periods and the observable quoted prices for similar instruments in active markets. Accordingly, the Company uses Level 2 inputs for its fair value estimates.

Term loan: The carrying amount approximates fair value due to the short-term nature of the interest rate periods and the observable quoted prices for similar instruments in active markets. Accordingly, the Company uses Level 2 inputs for its fair value estimate.

Senior Notes and Convertible Notes: The fair value estimates for the Senior Notes and the Convertible Notes incorporate quoted market prices, which were obtained from secondary market broker quotes, which were derived from a variety of inputs including client orders, information from their pricing vendors, modeling software and actual trading prices when they occur. Accordingly, the Company uses Level 2 inputs for its fair value estimates.

Financial Instruments Required To Be Carried At Fair Value

The carrying amounts in the following tables were measured at fair value on a recurring basis in the Company's Consolidated Balance Sheets at March 31, 2022 and December 31, 2021 (amounts in thousands):

	Fair Value Measurements as of March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Government securities	\$ 75,202	\$ —	\$ —	\$ 75,202
Exchange traded funds	3,406	—	—	3,406
Mutual funds	508	—	—	508
Derivative contracts (recorded in Other assets)	—	21,417	—	21,417
Liabilities:				
Derivative contracts (recorded in Other liabilities)	—	3,060	—	3,060

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Government securities	\$ 77,538	\$ —	\$ —	\$ 77,538
Exchange traded funds	1,746	—	—	1,746
Mutual funds	508	—	—	508
Derivative contracts (recorded in Other assets)	—	9,785	—	9,785
Liabilities:				
Derivative contracts (recorded in Other liabilities)	—	25,978	—	25,978

Government securities: Fair value of the Company's investment in government instruments are estimated using quoted market prices. Accordingly, the Company uses Level 1 inputs.

Exchange traded funds: Fair value of the Company's investment in exchange traded funds is estimated using quoted market prices. Accordingly, the Company uses Level 1 inputs.

Mutual funds: Fair value of the Company's investment in mutual funds is estimated using quoted market prices. Accordingly, the Company uses Level 1 inputs.

Derivative contracts: The estimated fair value of the derivative contracts is determined using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves and other factors. Accordingly, the Company uses Level 2 inputs for its fair value estimates.

Investments measured using net asset value ("NAV")

Private equity funds: This class of investments consists of private equity funds that invest primarily in loans and securities, including single-family residential debt; corporate debt products; and financially-oriented, real-estate-rich and other operating companies in the Americas, Western Europe and Japan. These investments are subject to certain restrictions regarding transfers and withdrawals. The investments cannot be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. The investments are expected to be returned through distributions as a result of liquidations of the funds' underlying assets over one to five years. The fair value of these private equity funds following the application of the NAV practical expedient was \$5.1 million as of both March 31, 2022 and December 31, 2021.

9. Accumulated Other Comprehensive Loss:

The following tables provide details about the reclassifications from accumulated other comprehensive loss for the three months ended March 31, 2022 and 2021 (amounts in thousands):

Gains and losses on cash flow hedges	Three Months Ended March 31,		Affected line in the Consolidated Income Statement
	2022	2021	
Interest rate swaps	\$ (2,734)	\$ (3,336)	Interest expense, net
Income tax effect of item above	564	705	Income tax expense
Total losses on cash flow hedges	<u>\$ (2,170)</u>	<u>\$ (2,631)</u>	Net of tax

The following table represents the changes in accumulated other comprehensive loss by component, after tax, for the three months ended March 31, 2022 and 2021 (amounts in thousands):

	Three Months Ended March 31, 2022			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance at beginning of period	\$ (221)	\$ (5,371)	\$ (261,317)	\$ (266,909)
Other comprehensive (loss)/gain before reclassifications	(160)	16,410	4,780	21,030
Reclassifications, net	—	2,170	—	2,170
Net current period other comprehensive (loss)/gain	(160)	18,580	4,780	23,200
Balance at end of period	<u>\$ (381)</u>	<u>\$ 13,209</u>	<u>\$ (256,537)</u>	<u>\$ (243,709)</u>

	Three Months Ended March 31, 2021			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance at beginning of period	\$ 127	\$ (33,349)	\$ (212,569)	\$ (245,791)
Other comprehensive gain/(loss) before reclassifications	—	9,692	(20,108)	(10,416)
Reclassifications, net	—	2,631	—	2,631
Net current period other comprehensive gain/(loss)	—	12,323	(20,108)	(7,785)
Balance at end of period	<u>\$ 127</u>	<u>\$ (21,026)</u>	<u>\$ (232,677)</u>	<u>\$ (253,576)</u>

(1) Net of deferred taxes for unrealized (gains)/losses from cash flow hedges of \$(1.2) million and \$6.4 million for the three months ended March 31, 2022 and 2021, respectively.

10. Earnings per Share:

Basic EPS are computed by dividing net income available to common stockholders of PRA Group, Inc. by weighted average common shares outstanding. Diluted EPS are computed using the same components as basic EPS with the denominator adjusted for the dilutive effect of the Convertible Notes and nonvested share awards, if dilutive. There has been no dilutive effect of the Convertible Notes since issuance through March 31, 2022. Share-based awards that are contingent upon the attainment of performance goals are included in the computation of diluted EPS if the effect is dilutive. The dilutive effect of nonvested shares is computed using the treasury stock method, which assumes any proceeds that could be obtained upon the vesting of nonvested shares would be used to purchase common shares at the average market price for the period.

On July 29, 2021, the Board of Directors of the Company ("Board of Directors") approved a share repurchase program to purchase up to \$150.0 million of the Company's outstanding shares of common stock. On October 28, 2021, the Board of Directors authorized an increase of \$80.0 million to the existing program for a total of \$230.0 million. On February 25, 2022, the Company completed its \$230.0 million share repurchase program. Also on February 25, 2022, the Board of Directors approved a new share repurchase program under which the Company is authorized to repurchase up to \$150.0 million of its outstanding common stock.

PRA Group, Inc.
Notes to Consolidated Financial Statements

For the three months ended March 31, 2022, the Company repurchased 860,031 shares of its common stock for approximately \$39.5 million, at an average price of \$45.88 per share. The Company's practice is to retire the shares it repurchases.

The following tables provide a reconciliation between the computation of basic EPS and diluted EPS for the three months ended March 31, 2022 and 2021 (amounts in thousands, except per share amounts):

	Three Months Ended March 31,					
	2022			2021		
	Net Income Attributable to PRA Group, Inc.	Weighted Average Common Shares	EPS	Net Income Attributable to PRA Group, Inc.	Weighted Average Common Shares	EPS
Basic EPS	\$ 39,972	40,777	\$ 0.98	\$ 58,406	45,669	\$ 1.28
Dilutive effect of nonvested share awards		527	(0.01)		376	(0.01)
Diluted EPS	\$ 39,972	41,304	\$ 0.97	\$ 58,406	46,045	\$ 1.27

There were no options outstanding, antidilutive or otherwise, as of March 31, 2022 and 2021.

11. Income Taxes:

The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 740 "Income Taxes" ("ASC 740") as it relates to the provision for income taxes and uncertainty in income taxes. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

At March 31, 2022, the tax years subject to examination by the major federal, state and international taxing jurisdictions are 2013 and subsequent years.

The Company intends for predominantly all international earnings to be indefinitely reinvested in its international operations; therefore, the recording of deferred tax liabilities for such unremitted earnings is not required. If international earnings were repatriated, the Company may need to accrue and pay taxes, although foreign tax credits may be available to partially reduce U.S. income taxes. The amount of cash on hand related to international operations with indefinitely reinvested earnings was \$68.0 million and \$61.9 million as of March 31, 2022 and December 31, 2021, respectively.

12. Commitments and Contingencies:

Employment Agreements:

The Company has entered into employment agreements with each of its U.S. executive officers, which expire on December 31, 2023. Such agreements provide for base salary payments as well as potential discretionary bonuses that consider the Company's overall performance against its short and long-term financial and strategic objectives. The agreements also contain customary confidentiality and non-compete provisions. At March 31, 2022, estimated future compensation under these agreements was approximately \$12.0 million. Outside the U.S., the Company has entered into employment agreements with certain employees pursuant to local country regulations. Generally, these agreements do not have expiration dates. As a result it is impractical to estimate the amount of future compensation under these agreements. Accordingly, the future compensation under these agreements is not included in the \$12.0 million total above.

Forward Flow Agreements:

The Company is party to several forward flow agreements that allow for the purchase of nonperforming loans at pre-established prices. The maximum remaining amount to be purchased under forward flow agreements at March 31, 2022, was \$618.9 million.

Finance Receivables:

Certain agreements for the purchase of finance receivables portfolios contain provisions that may, in limited circumstances, require the Company to refund a portion or all of the collections subsequently received by the Company on particular accounts. The potential refunds as of the balance sheet date are not considered to be significant.

Litigation and Regulatory Matters:

The Company and its subsidiaries are from time to time subject to a variety of routine legal and regulatory claims, inquiries and proceedings and regulatory matters, most of which are incidental to the ordinary course of its business. The Company initiates lawsuits against customers and is occasionally countersued by them in such actions. Also, customers, either individually, as members of a class action, or through a governmental entity on behalf of customers, may initiate litigation against the Company in which they allege that the Company has violated a state or federal law in the process of collecting on an account. From time to time, other types of lawsuits are brought against the Company. Additionally, the Company receives subpoenas and other requests or demands for information from regulators or governmental authorities who are investigating the Company's debt collection activities.

The Company accrues for potential liability arising from legal proceedings and regulatory matters when it is probable that such liability has been incurred and the amount of the loss can be reasonably estimated. This determination is based upon currently available information for those proceedings in which the Company is involved, taking into account the Company's best estimate of such losses for those cases for which such estimates can be made. The Company's estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the number of unresolved issues in many of the proceedings (including issues regarding class certification and the scope of many of the claims), and the related uncertainty of the potential outcomes of these proceedings. In making determinations of the likely outcome of pending litigation, the Company considers many factors, including, but not limited to, the nature of the claims, the Company's experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative mechanisms, the matter's current status and the damages sought or demands made. Accordingly, the Company's estimate will change from time to time, and actual losses could be more than the current estimate.

The Company believes that the estimate of the aggregate range of reasonably possible losses in excess of the amount accrued for its legal proceedings outstanding at March 31, 2022, where the range of loss can be estimated, was not material.

In certain legal proceedings, the Company may have recourse to insurance or third-party contractual indemnities to cover all or portions of its litigation expenses, judgments, or settlements. Loss estimates and accruals for potential liability related to legal proceedings are typically exclusive of potential recoveries, if any, under the Company's insurance policies or third-party indemnities.

Matters that are not considered routine in nature legal proceedings were disclosed previously in the 2021 Form 10-K.

13. Recently Issued Accounting Standards:

Recently issued accounting standards adopted:

Reference Rate Reform

In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848): Overall" ("ASU 2021-01"). ASU 2021-01 expands the scope of ASC 848 to include derivatives affected by the discounting transition for certain optional expedients and exceptions. ASU 2021-01 is effective immediately for a limited time through December 31, 2022. The Company assessed whether amendments and modifications to its swap agreements and borrowing agreements qualify for any optional expedients. During the first quarter of 2022, the Company elected certain of the optional expedients to maintain cash flow hedge accounting for swap agreements with a combined notional amount of \$422.8 million.

Recently issued accounting standards not yet adopted:

The Company does not expect that any other recently issued accounting pronouncements will have a material effect on its Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All references in this Quarterly Report on Form 10-Q (this "Quarterly Report") to "PRA Group," "we," "our," "us," "the Company" or similar terms are to PRA Group, Inc. and its subsidiaries.

Forward-Looking Statements:

This Quarterly Report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Statements other than statements of historical fact are forward-looking statements, including statements regarding overall cash collection trends, operating cost trends, liquidity and capital needs and other statements of expectations, beliefs, future plans, strategies and anticipated events or trends. Our results could differ materially from those expressed or implied by such forward-looking statements, or our forward looking statements could be wrong, as a result of risks, uncertainties and assumptions, including the following:

- the impact of the novel coronavirus ("COVID-19") pandemic on the markets in which we operate, including business disruptions, unemployment, economic disruption, overall market volatility and the inability or unwillingness of consumers to pay the amounts owed to us;
- our inability to successfully manage the challenges associated with a disease outbreak, including epidemics, pandemics or similar widespread public health concerns, including the COVID-19 pandemic;
- a deterioration in the economic or inflationary environment in the markets in which we operate;
- our inability to replace our portfolios of nonperforming loans with additional portfolios sufficient to operate efficiently and profitably and/or purchase nonperforming loans at appropriate prices;
- our inability to collect sufficient amounts on our nonperforming loans to fund our operations, including as a result of restrictions imposed by local, state, federal and international laws and regulations;
- changes in accounting standards and their interpretations;
- the recognition of significant decreases in our estimate of future recoveries on nonperforming loans;
- the occurrence of goodwill impairment charges;
- loss contingency accruals that are inadequate to cover actual losses;
- our inability to manage risks associated with our international operations;
- changes in local, state, federal or international laws or the interpretation of these laws, including tax, bankruptcy and collection laws;
- changes in the administrative practices of various bankruptcy courts;
- our inability to comply with existing and new regulations of the collection industry;
- investigations, reviews, or enforcement actions by governmental authorities, including the Consumer Financial Protection Bureau ("CFPB");
- our inability to comply with data privacy regulations such as the General Data Protection Regulation ("GDPR");
- adverse outcomes in pending litigation or administrative proceedings;
- our inability to retain, expand, renegotiate or replace our credit facilities and our inability to comply with the covenants under our financing arrangements;
- our inability to manage effectively our capital and liquidity needs, including as a result of changes in credit or capital markets;
- changes in interest or exchange rates;
- default by or failure of one or more of our counterparty financial institutions;
- uncertainty about the transition from the London Inter-Bank Offer Rate;
- disruptions of business operations caused by cybersecurity incidents or the underperformance or failure of information technology infrastructure, networks or communication systems; and
- the "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K") and in other filings with the Securities and Exchange Commission.

You should assume that the information appearing in this Quarterly Report is accurate only as of the date it was issued. Our business, financial condition, results of operations and prospects may have changed since that date. Except as required by law, we assume no obligation to publicly update or revise our forward-looking statements after the date of this Quarterly Report and you should not expect us to do so.

Frequently Used Terms

We may use the following terminology throughout this Quarterly Report:

- "Buybacks" refers to purchase price refunded by the seller due to the return of ineligible accounts.
- "Cash collections" refers to collections on our nonperforming loan portfolios.
- "Cash receipts" refers to cash collections on our nonperforming loan portfolios plus fee income.
- "Change in expected recoveries" refers to the differences of actual recoveries received when compared to expected recoveries and the net present value of changes in estimated remaining collections.
- "Core" accounts or portfolios refer to accounts or portfolios that are nonperforming loans and are not in an insolvent status upon acquisition. These accounts are aggregated separately from insolvency accounts.
- "Estimated remaining collections" or "ERC" refers to the sum of all future projected cash collections on our nonperforming loan portfolios.
- "Finance receivables" or "receivables" refers to the negative allowance for expected recoveries recorded on our balance sheet as an asset.
- "Insolvency" accounts or portfolios refer to accounts or portfolios of nonperforming loans that are in an insolvent status when we purchase them and as such are purchased as a pool of insolvent accounts. These accounts include Individual Voluntary Arrangements ("IVAs"), Trust Deeds in the UK, Consumer Proposals in Canada and bankruptcy accounts in the U.S., Canada, Germany and the UK.
- "Negative allowance" refers to the present value of cash flows expected to be collected on our finance receivables.
- "Portfolio acquisitions" refers to all nonperforming loan portfolios added as a result of a purchase, but also includes portfolios added as a result of a business acquisition.
- "Portfolio purchases" refers to all nonperforming loan portfolios purchased in the normal course of business and excludes those added as a result of business acquisitions.
- "Portfolio income" reflects revenue recorded due to the passage of time using the effective interest rate calculated based on the purchase price of nonperforming loan portfolios and estimated remaining collections.
- "Purchase price" refers to the cash paid to a seller to acquire nonperforming loans.
- "Purchase price multiple" refers to the total estimated collections (as defined below) on our nonperforming loan portfolios divided by purchase price.
- "Recoveries" refers to cash collections plus buybacks and other adjustments.
- "Total estimated collections" or "TEC" refers to actual cash collections plus estimated remaining collections on our nonperforming loan portfolios.

Overview

We are a global financial and business services company with operations in the Americas, Europe and Australia. Our primary business is the purchase, collection and management of portfolios of nonperforming loans. We are headquartered in Norfolk, Virginia, and as of March 31, 2022, employed 3,444 full time equivalents. Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "PRAA."

Macroeconomic Update

We continue to monitor developments related to the COVID-19 pandemic, and to date, have been able to mitigate the effects on our overall operations. During the first quarter of 2022, the trends we experienced in the latter part of 2021 have largely continued with the easing or lifting of COVID-19 restrictions leading to increased consumer spending and travel. Leading financial industry publications have indicated that excess consumer liquidity has resulted in lower levels of charge offs across most lending institutions. As a result, this has caused a decrease in the supply of fresh portfolios available for purchase in the U.S. resulting in a lower level of portfolio purchases and pricing pressures. We expect these trends to continue in the near-term; however, consistent with our experience during previous economic cycles, we believe charge offs will increase leading to a greater level of supply, which we anticipate could occur later in 2022. For additional information regarding our response to COVID-19, see Part I, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" to our 2021 Form 10-K.

Furthermore, the combination of robust demand for goods and services and supply chain constraints lingering from the prior year have contributed to elevated levels of inflation. The Russian invasion of Ukraine, including the resulting sanctions on Russia, has caused a shock to the energy markets increasing the inflationary pressure on energy costs. We cannot predict the full extent to which the COVID-19 pandemic, the inflationary environment or the Russian invasion of the Ukraine will impact our business, results of operations and financial condition due to numerous evolving factors. See Part I, Item 1A "Risk Factors" of our 2021 Form 10-K.

Results of Operations

The results of operations include the financial results of the Company and all of our subsidiaries. The following table sets forth our Consolidated Income Statement amounts as a percentage of Total revenues for the periods indicated (dollars in thousands):

	For the Three Months Ended March 31,			
	2022		2021	
Revenues:				
Portfolio income	\$ 207,532	86.3 %	\$ 231,672	80.0 %
Changes in expected recoveries	29,914	12.4	50,136	17.3
Total portfolio revenue	237,446	98.7	281,808	97.3
Fee income	1,830	0.8	2,181	0.8
Other revenue	1,329	0.5	5,480	1.9
Total revenues	240,605	100.0	289,469	100.0
Operating expenses:				
Compensation and employee services	71,096	29.5	73,984	25.6
Legal collection fees	10,873	4.5	12,926	4.5
Legal collection costs	16,557	6.9	21,312	7.4
Agency fees	17,388	7.2	15,591	5.4
Outside fees and services	19,378	8.1	20,760	7.1
Communication	12,583	5.2	12,663	4.4
Rent and occupancy	4,987	2.1	4,480	1.5
Depreciation and amortization	3,778	1.6	3,981	1.4
Other operating expenses	11,998	5.0	13,018	4.5
Total operating expenses	168,638	70.1	178,715	61.8
Income from operations	71,967	29.9	110,754	38.2
Other income and (expense):				
Interest expense, net	(31,748)	(13.2)	(31,552)	(10.9)
Foreign exchange loss	(532)	(0.2)	(26)	—
Other	(490)	(0.2)	26	—
Income before income taxes	39,197	16.3	79,202	27.3
Income tax expense	4,579	1.9	17,322	5.9
Net income	34,618	14.4	61,880	21.4
Adjustment for net (loss)/income attributable to noncontrolling interests	(5,354)	(2.2)	3,474	1.2
Net income attributable to PRA Group, Inc.	\$ 39,972	16.6 %	\$ 58,406	20.2 %

Three Months Ended March 31, 2022 Compared To Three Months Ended March 31, 2021

Cash Collections

Cash collections for the periods indicated were as follows (amounts in thousands):

	For the Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
Americas and Australia Core	\$ 270,284	\$ 347,638	\$ (77,354)	(22.3)%
Americas Insolvency	35,209	35,253	(44)	(0.1)
Europe Core	151,162	149,486	1,676	1.1
Europe Insolvency	24,325	23,510	815	3.5
Total cash collections	<u>\$ 480,980</u>	<u>\$ 555,887</u>	<u>\$ (74,907)</u>	<u>(13.5)%</u>
Cash collections adjusted ⁽¹⁾	\$ 480,980	\$ 548,761	\$ (67,781)	(12.4)%

(1) Cash collections adjusted refers to 2021 cash collections remeasured using 2022 exchange rates.

Cash collections were \$481.0 million for the three months ended March 31, 2022, a decrease of \$74.9 million, or 13.5%, compared to \$555.9 million for the three months ended March 31, 2021. The decrease was primarily due to lower cash collections of \$61.1 million, or 27.5%, in U.S. call center and other collections, which we believe was mainly due to excess consumer liquidity during 2021 and lower levels of portfolio purchasing during the pandemic. Additionally, U.S. legal collections decreased \$13.1 million, or 14.1%, mainly due to a lower volume of accounts in the legal channel. Europe cash collections increased slightly by \$2.5 million, or 1.4%, primarily reflecting high levels of portfolio purchases in the last few years and the impact of foreign exchange rates.

Revenues

A summary of our revenue generation during the three months ended March 31, 2022 and 2021 is as follows (amounts in thousands):

	For the Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
Portfolio income	\$ 207,532	\$ 231,672	\$ (24,140)	(10.4)%
Changes in expected recoveries	29,914	50,136	(20,222)	(40.3)
Total portfolio revenue	237,446	281,808	(44,362)	(15.7)
Fee income	1,830	2,181	(351)	(16.1)
Other revenue	1,329	5,480	(4,151)	(75.7)
Total revenues	<u>\$ 240,605</u>	<u>\$ 289,469</u>	<u>\$ (48,864)</u>	<u>(16.9)%</u>

Total Portfolio Revenue

Total portfolio revenue was \$237.4 million for the three months ended March 31, 2022, a decrease of \$44.4 million, or 15.7%, compared to \$281.8 million for the three months ended March 31, 2021. The decrease reflects a \$24.1 million decrease in Portfolio income primarily driven by lower purchasing. Additionally, the decrease reflects a \$20.2 million decrease in Changes in expected recoveries primarily due to a \$20.5 million write down on one portfolio in Brazil.

Other Income

Other income was \$1.3 million for the three months ended March 31, 2022, a decrease of \$4.2 million, compared to \$5.5 million for the three months ended March 31, 2021. The decrease reflects a gain on sale from certain other assets in the first quarter of 2021.

Operating Expenses

Total operating expenses were \$168.6 million for the three months ended March 31, 2022, a decrease of \$10.1 million, or 5.7%, compared to \$178.7 million for the three months ended March 31, 2021.

Compensation and Employee Services

Compensation and employee services expenses were \$71.1 million for the three months ended March 31, 2022, a decrease of \$2.9 million, or 3.9%, compared to \$74.0 million for the three months ended March 31, 2021. The decrease was primarily attributable to lower collector compensation costs in the U.S. call centers. Total full-time equivalents decreased to 3,444 as of March 31, 2022, from 3,822 as of March 31, 2021 as we continue to drive productivity in the U.S. call centers.

Legal Collection Fees

Legal collection fees represent contingent fees incurred for the cash collections generated by our independent third-party attorney network. Legal collection fees were \$10.9 million for the three months ended March 31, 2022, a decrease of \$2.0 million, or 15.5%, compared to \$12.9 million for the three months ended March 31, 2021 primarily reflecting lower external legal cash collections in the U.S.

Legal Collection Costs

Legal collection costs primarily consist of costs paid to courts where a lawsuit is filed for the purpose of attempting to collect on an account. Legal collection costs were \$16.6 million for the three months ended March 31, 2022, a decrease of \$4.7 million, or 22.1%, compared to \$21.3 million for the three months ended March 31, 2021. The decrease was primarily due to the continued impact from lower levels of accounts placed into the legal channel in the U.S. as a result of the prior year shift in cash collections from the legal channel to the call centers.

Agency Fees

Agency fees primarily represent third-party collection fees. Agency fees were \$17.4 million for the three months ended March 31, 2022, an increase of \$1.8 million, or 11.5%, compared to \$15.6 million for the three months ended March 31, 2021 primarily reflecting an increase in third party collections in certain countries outside the U.S.

Outside Fees and Services

Outside fees and services expenses were \$19.4 million for the three months ended March 31, 2022, a decrease of \$1.4 million, or 6.7%, compared to \$20.8 million for the three months ended March 31, 2021 mainly due to decreased audit fees and fees related to a lower number of debit card transactions. These decreases were partially offset by higher corporate legal costs.

Interest Expense, Net

Interest expense, net was \$31.7 million for the three months ended March 31, 2022, compared to \$31.6 million for the three months ended March 31, 2021. The lower levels of average outstanding borrowings on our debt obligations was offset by higher interest rates.

Interest expense, net consisted of the following for the three months ended March 31, 2022 and 2021 (amounts in thousands):

	For the Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
Interest on debt obligations and unused line fees	\$ 16,795	\$ 20,910	\$ (4,115)	(19.7)%
Interest on senior notes	9,907	5,531	4,376	79.1
Coupon interest on convertible notes	3,019	3,019	—	—
Amortization of loan fees and other loan costs	2,627	2,256	371	16.4
Interest income	(600)	(164)	(436)	265.9
Interest expense, net	<u>\$ 31,748</u>	<u>\$ 31,552</u>	<u>\$ 196</u>	<u>0.6 %</u>

Income Tax Expense

Income tax expense was \$4.6 million for the three months ended March 31, 2022, a decrease of \$12.7 million, or 73.4%, compared to \$17.3 million for the three months ended March 31, 2021. During the three months ended March 31, 2022, our effective tax rate was 11.7%, compared to 21.9% for the three months ended March 31, 2021. The decreases in income tax expense and our effective tax rate were primarily due to a reduction in income before taxes, which decreased \$40.0 million, or 50.5% and discrete items in the quarter.

Supplemental Performance Data

Finance Receivables Portfolio Performance

We purchase nonperforming loans from a variety of credit originators and segregate them into two main portfolio segments: Core or Insolvency, based on the status of the account upon acquisition. In addition, the accounts are further segregated into geographical regions based upon where the account was purchased. The accounts represented in the Insolvency tables below are those portfolios of accounts that were in an insolvency status at the time of purchase. This contrasts with accounts in our Core portfolios that file for bankruptcy/insolvency protection after we purchase them, which continue to be tracked in their corresponding Core portfolio. Core customers sometimes file for bankruptcy/insolvency protection subsequent to our purchase of the related Core portfolio. When this occurs, we adjust our collection practices to comply with bankruptcy/insolvency rules and procedures; however, for accounting purposes, these accounts remain in the original Core pool. Insolvency accounts may be dismissed voluntarily or involuntarily subsequent to our purchase of the Insolvency portfolio. Dismissal occurs when the terms of the bankruptcy are not met by the petitioner. When this occurs, we are typically free to pursue collection outside of bankruptcy procedures; however, for accounting purposes, these accounts remain in the original Insolvency pool.

Purchase price multiples can vary over time due to a variety of factors, including pricing competition, supply levels, age of the accounts acquired, and changes in our operational efficiency. For example, increased pricing competition during the 2005 to 2008 period negatively impacted purchase price multiples of our Core portfolio compared to prior years. Conversely, during the 2009 to 2011 period, additional supply occurred as a result of the economic downturn. This variance created unique and advantageous purchasing opportunities, particularly within the Insolvency market, relative to the prior four years. Purchase price multiples can also vary among types of finance receivables. For example, we generally incur lower collection costs on our Insolvency portfolio compared with our Core portfolio. This allows us, in general, to pay more for an Insolvency portfolio and experience lower purchase price multiples, while generating similar net income margins when compared with a Core portfolio.

When competition increases and/or supply decreases, pricing often becomes negatively impacted relative to expected collections, and effective interest rates tend to trend lower. The opposite tends to occur when competition decreases and/or supply increases.

Within a given portfolio type, to the extent that lower purchase price multiples are the result of more competitive pricing and lower net yields, this will generally lead to lower profitability. As portfolio pricing becomes more favorable on a relative basis, our profitability will tend to increase. Profitability within given Core portfolio types may also be impacted by the age and quality of the accounts, which impact the cost to collect those accounts. Fresher accounts, for example, typically carry lower associated collection costs, while older accounts and lower balance accounts typically carry higher costs and, as a result, require higher purchase price multiples to achieve the same net profitability as fresher paper.

Revenue recognition is driven by estimates of the amount and timing of collections. We record new portfolio acquisitions at the purchase price, which reflects the amount we expect to collect discounted at an effective interest rate. During the year of acquisition, the annual pool is aggregated and the blended effective interest rate will change to reflect new buying and new cash flow estimates until the end of the year. At that time, the effective interest rate is fixed at the amount we expect to collect discounted at the rate to equate purchase price to the recovery estimate. During the first year following purchase, we typically do not allow purchase price multiples to expand. Subsequent to the initial year, as we gain collection experience and confidence with a pool of accounts, we regularly update ERC. As a result, our estimate of total collections has often increased as pools have aged. These processes have tended to cause the ratio of ERC to purchase price for any given year of buying to gradually increase over time. Thus, all factors being equal in terms of pricing, one would typically tend to see a higher collection to purchase price ratio from a pool of accounts that was six years from acquisition than a pool that was just two years from acquisition.

The numbers presented in the following tables represent gross cash collections and do not reflect any costs to collect; therefore, they may not represent relative profitability. Due to all the factors described above, readers should be cautious when making comparisons of purchase price multiples among periods and between types of categories of portfolio segments and related geographies.

**Purchase Price Multiples
as of March 31, 2022**
Amounts in thousands

Purchase Period	Purchase Price ⁽¹⁾⁽²⁾	Total Estimated Collections	Estimated Remaining Collections ⁽⁴⁾	Current Purchase Price Multiple	Original Purchase Price Multiple ⁽⁵⁾
Americas and Australia Core					
1996-2011	\$ 1,287,821	\$ 4,120,576	\$ 23,760	320%	240%
2012	254,076	652,359	9,692	257%	226%
2013	390,826	895,469	15,406	229%	211%
2014	404,117	860,995	26,686	213%	204%
2015	443,114	909,879	73,147	205%	205%
2016	455,767	1,111,717	149,697	244%	201%
2017	532,851	1,215,288	215,435	228%	193%
2018	653,975	1,392,227	257,838	213%	202%
2019	581,476	1,262,829	390,874	217%	206%
2020	435,668	940,908	465,621	216%	213%
2021	435,846	815,458	705,018	187%	191%
2022	92,317	161,069	158,656	174%	174%
Subtotal	5,967,854	14,338,774	2,491,830		
Americas Insolvency					
1996-2011	786,827	1,752,738	628	223%	174%
2012	251,395	393,135	48	156%	136%
2013	227,834	355,374	303	156%	133%
2014	148,420	218,938	1,175	148%	124%
2015	63,170	87,501	318	139%	125%
2016	91,442	116,398	798	127%	123%
2017	275,257	354,405	16,594	129%	125%
2018	97,879	135,030	31,899	138%	127%
2019	123,077	164,379	70,431	134%	128%
2020	62,130	86,298	58,929	139%	136%
2021	55,187	74,991	66,027	136%	136%
2022	9,118	11,880	11,846	130%	130%
Subtotal	2,191,736	3,751,067	258,996		
Total Americas and Australia	8,159,590	18,089,841	2,750,826		
Europe Core					
2012	20,409	42,893	—	210%	187%
2013	20,334	26,454	—	130%	119%
2014	773,811	2,240,226	419,645	290%	208%
2015	411,340	718,933	184,673	175%	160%
2016	333,090	561,591	230,564	169%	167%
2017	252,174	353,518	144,408	140%	144%
2018	341,775	526,571	264,369	154%	148%
2019	518,610	775,328	448,151	150%	152%
2020	324,119	554,006	381,766	171%	172%
2021	412,411	701,400	620,962	170%	170%
2022	37,943	62,847	61,040	166%	166%
Subtotal	3,446,016	6,563,767	2,755,578		
Europe Insolvency					
2014	10,876	18,447	15	170%	129%
2015	18,973	28,979	628	153%	139%
2016	39,338	56,750	3,280	144%	130%
2017	39,235	49,398	8,401	126%	128%
2018	44,908	50,640	18,113	113%	123%
2019	77,218	102,101	46,840	132%	130%
2020	105,440	135,908	82,789	129%	129%
2021	53,230	71,526	60,699	134%	134%
2022	8,778	11,829	11,810	135%	135%
Subtotal	397,996	525,578	232,575		
Total Europe	3,844,012	7,089,345	2,988,153		
Total PRA Group	\$ 12,003,602	\$ 25,179,186	\$ 5,738,979		

- (1) Includes the acquisition date finance receivables portfolios that were acquired through our business acquisitions.
- (2) Non-U.S. amounts are presented at the exchange rate at the end of the year in which the portfolio was purchased. In addition, any purchase price adjustments that occur throughout the life of the portfolio are presented at the year-end exchange rate for the respective year of purchase.
- (3) Non-U.S. amounts are presented at the year-end exchange rate for the respective year of purchase.
- (4) Non-U.S. amounts are presented at the March 31, 2022 exchange rate.
- (5) The Original Purchase Price Multiple represents the purchase price multiple at the end of the year of acquisition.

Portfolio Financial Information
Year-to-date as of March 31, 2022
Amounts in thousands

Purchase Period	Cash Collections ⁽¹⁾	Portfolio Income ⁽¹⁾	Changes in Expected Recoveries ⁽¹⁾	Total Portfolio Revenue ⁽¹⁾	Net Finance Receivables as of March 31, 2022 ⁽²⁾
Americas and Australia Core					
1996-2011	\$ 4,896	\$ 2,552	\$ 1,720	\$ 4,272	\$ 5,808
2012	2,175	818	879	1,697	3,969
2013	3,784	1,309	1,157	2,466	7,444
2014	4,536	1,656	1,562	3,218	10,945
2015	6,225	3,667	(697)	2,970	28,192
2016	12,851	8,970	(2,899)	6,071	51,370
2017	25,253	12,009	1,300	13,309	96,421
2018	46,510	15,233	21,013	36,246	157,922
2019	55,143	22,294	11,704	33,998	223,137
2020	58,529	25,954	5,189	31,143	272,211
2021	48,010	32,061	(31,445)	616	371,339
2022	2,372	1,872	(518)	1,354	91,253
Subtotal	270,284	128,395	8,965	137,360	1,320,011
Americas Insolvency					
1996-2011	129	162	(33)	129	—
2012	136	19	117	136	—
2013	169	70	99	169	—
2014	203	241	(63)	178	118
2015	167	62	98	160	210
2016	575	116	(78)	38	522
2017	7,694	996	1,121	2,117	14,715
2018	6,845	1,055	1,032	2,087	28,539
2019	10,167	1,748	1,228	2,976	62,299
2020	4,735	1,610	226	1,836	47,568
2021	4,353	1,831	(11)	1,820	51,125
2022	36	60	—	60	9,142
Subtotal	35,209	7,970	3,736	11,706	214,238
Total Americas and Australia	305,493	136,365	12,701	149,066	1,534,249
Europe Core					
2012	259	—	259	259	—
2013	151	—	151	151	—
2014	32,690	20,539	7,829	28,368	125,532
2015	12,028	5,533	41	5,574	98,264
2016	10,513	5,142	100	5,242	135,768
2017	7,257	2,496	395	2,891	99,579
2018	15,099	4,961	791	5,752	175,277
2019	25,771	7,894	2,138	10,032	304,920
2020	19,694	7,668	1,359	9,027	234,001
2021	25,868	11,318	2,086	13,404	371,587
2022	1,832	409	1,033	1,442	37,385
Subtotal	151,162	65,960	16,182	82,142	1,582,313
Europe Insolvency					
2014	84	8	71	79	9
2015	223	78	(21)	57	472
2016	935	231	(87)	144	2,531
2017	2,093	204	163	367	7,715
2018	2,781	402	(708)	(306)	16,303
2019	5,574	1,091	331	1,422	40,308
2020	8,997	1,800	801	2,601	70,849
2021	3,620	1,344	458	1,802	47,173
2022	18	49	23	72	8,825
Subtotal	24,325	5,207	1,031	6,238	194,185
Total Europe	175,487	71,167	17,213	88,380	1,776,498
Total PRA Group	\$ 480,980	\$ 207,532	\$ 29,914	\$ 237,446	\$ 3,310,747

(1) Non-U.S. amounts are presented using the average exchange rates during the current reporting period.

(2) Non-U.S. amounts are presented at the March 31, 2022 exchange rate.

The following table, which excludes any proceeds from cash sales of finance receivables, illustrates historical cash collections, by year, on our portfolios.

Cash Collections by Year, By Year of Purchase ⁽¹⁾
as of March 31, 2022
Amounts in millions

		Amounts in millions																										
		Cash Collections																										
Purchase Period	Purchase Price (2)(3)	1996-2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total														
Americas and Australia Core																												
1996-2011	\$	1,287.8	\$	2,419.5	\$	486.0	\$	381.3	\$	266.3	\$	183.1	\$	119.0	\$	78.0	\$	56.0	\$	45.0	\$	29.7	\$	20.8	\$	4.9	\$	4,089.6
2012		254.1		—		56.9		173.6		146.2		97.3		60.0		40.0		27.8		17.9		11.8		9.0		2.2		642.7
2013		390.8		—		—		101.6		247.8		194.0		120.8		78.9		56.4		36.9		23.2		16.7		3.8		880.1
2014		404.1		—		—		—		92.7		253.4		170.3		114.2		82.2		55.3		31.9		22.3		4.5		826.8
2015		443.1		—		—		—		—		117.0		228.4		185.9		126.6		83.6		57.2		34.9		6.2		839.8
2016		455.8		—		—		—		—		—		138.7		256.5		194.6		140.6		105.9		74.2		12.9		923.4
2017		532.9		—		—		—		—		—		—		107.3		278.7		256.5		192.5		130.0		25.3		990.3
2018		654.0		—		—		—		—		—		—		—		122.7		361.9		337.7		239.9		46.5		1,108.7
2019		581.5		—		—		—		—		—		—		—		—		143.8		349.0		289.8		55.1		837.7
2020		435.7		—		—		—		—		—		—		—		—		—		133.0		284.3		58.5		475.8
2021		435.8		—		—		—		—		—		—		—		—		—		—		85.0		48.0		133.0
2022		92.3		—		—		—		—		—		—		—		—		—		—		—		2.4		2.4
Subtotal		5,967.9		2,419.5		542.9		656.5		753.0		844.8		837.2		860.8		945.0		1,141.5		1,271.9		1,206.9		270.3		11,750.3
Americas Insolvency																												
1996-2011		786.8		667.4		336.8		313.7		244.7		128.2		44.6		8.4		4.0		2.1		1.3		0.8		0.1		1,752.1
2012		251.4		—		17.4		103.6		94.1		80.1		60.7		29.3		4.3		1.9		0.9		0.6		0.1		393.0
2013		227.8		—		—		52.5		82.6		81.7		63.4		47.8		21.9		2.9		1.3		0.8		0.2		355.1
2014		148.4		—		—		—		37.0		50.9		44.3		37.4		28.8		15.8		2.2		1.1		0.2		217.7
2015		63.2		—		—		—		—		3.4		17.9		20.1		19.8		16.7		7.9		1.3		0.2		87.3
2016		91.4		—		—		—		—		—		18.9		30.4		25.0		19.9		14.4		7.4		0.6		116.6
2017		275.3		—		—		—		—		—		—		49.1		97.3		80.9		58.8		44.0		7.7		337.8
2018		97.9		—		—		—		—		—		—		—		6.7		27.4		30.5		31.6		6.8		103.0
2019		123.1		—		—		—		—		—		—		—		—		13.4		31.4		39.1		10.2		94.1
2020		62.1		—		—		—		—		—		—		—		—		—		6.5		16.1		4.7		27.3
2021		55.2		—		—		—		—		—		—		—		—		—		—		4.5		4.4		8.9
2022		9.1		—		—		—		—		—		—		—		—		—		—		—		—		—
Subtotal		2,191.7		667.4		354.2		469.8		458.4		344.3		249.8		222.5		207.8		181.0		155.2		147.3		35.2		3,492.9
Total Americas and Australia		8,159.6		3,086.9		897.1		1,126.3		1,211.4		1,189.1		1,087.0		1,083.3		1,152.8		1,322.5		1,427.1		1,354.2		305.5		15,243.2
Europe Core																												
2012		20.4		—		11.6		9.0		5.6		3.2		2.2		2.0		2.0		1.5		1.2		1.2		0.3		39.8
2013		20.3		—		—		7.1		8.5		2.3		1.3		1.2		1.3		0.9		0.7		0.7		0.2		24.2
2014		773.8		—		—		—		153.2		292.0		246.4		220.8		206.3		172.9		149.8		149.2		32.7		1,623.3
2015		411.3		—		—		—		—		45.8		100.3		86.2		80.9		66.1		54.3		51.4		12.0		497.0
2016		333.1		—		—		—		—		—		40.4		78.9		72.6		58.0		48.3		46.7		10.5		355.4
2017		252.2		—		—		—		—		—		—		17.9		56.0		44.1		36.1		34.8		7.3		196.2
2018		341.8		—		—		—		—		—		—		—		24.3		88.7		71.2		69.1		15.1		268.4
2019		518.6		—		—		—		—		—		—		—		—		47.9		125.7		121.4		25.8		320.8
2020		324.1		—		—		—		—		—		—		—		—		—		32.4		91.7		19.7		143.8
2021		412.4		—		—		—		—		—		—		—		—		—		—		48.4		25.9		74.3
2022		37.9		—		—		—		—		—		—		—		—		—		—		—		1.7		1.7
Subtotal		3,445.9		—		11.6		16.1		167.3		343.3		390.6		407.0		443.4		480.1		519.7		614.6		151.2		3,544.9
Europe Insolvency																												
2014		10.9		—		—		—		—		4.3		3.9		3.2		2.6		1.5		0.8		0.3		0.1		16.7
2015		19.0		—		—		—		—		3.0		4.4		5.0		4.8		3.9		2.9		1.6		0.2		25.8
2016		39.3		—		—		—		—		—		6.2		12.7		12.9		10.7		7.9		6.0		0.9		57.3
2017		39.2		—		—		—		—		—		—		1.2		7.9		9.2		9.8		9.4		2.1		39.6
2018		44.9		—		—		—		—		—		—		—		0.6		8.4		10.3		11.7		2.8		33.8
2019		77.2		—		—		—		—		—		—		—		—		5.1		21.1		23.9		5.6		55.7
2020		105.4		—		—		—		—		—		—		—		—		—		6.1		34.6		9.0		49.7
2021		53.3		—		—		—		—		—		—		—		—		—		—		5.4		3.6		9.0
2022		8.8		—		—		—		—		—		—		—		—		—		—		—		—		—
Subtotal		398.0		—		—		—		—		7.3		14.5		22.1		28.8		38.8		58.9		92.9		24.3		287.6
Total Europe		3,843.9		—		11.6		16.1		167.3		350.6		405.1		429.1		472.2		518.9		578.6		707.5		175.5		3,832.5
Total PRA Group	\$	12,003.5	\$	3,086.9	\$	908.7	\$	1,142.4	\$	1,378.7	\$	1,539.7	\$	1,492.1	\$	1,512.4	\$	1,625.0	\$	1,841.4	\$	2,005.7	\$	2,061.7	\$	481.0	\$	19,075.7

(1) Non-U.S. amounts are presented using the average exchange rates during the cash collection period.

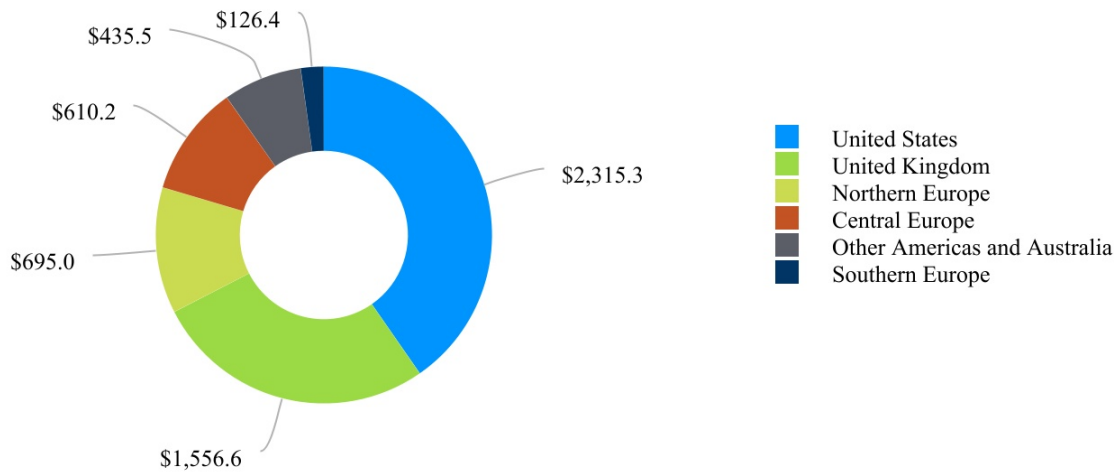
(2) Includes the nonperforming loan portfolios that were acquired through our business acquisitions.

(3) Non-U.S. amounts are presented at the exchange rate at the end of the year in which the portfolio was purchased. In addition, any purchase price adjustments that occur throughout the life of the pool are presented at the year-end exchange rate for the respective year of purchase.

Estimated remaining collections

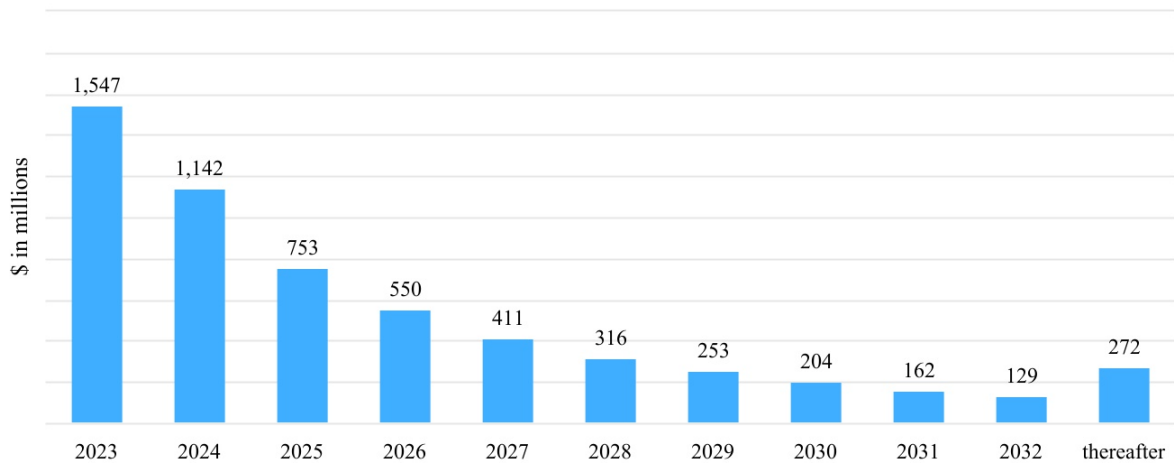
The following chart shows our ERC of \$5,739.0 million at March 31, 2022 by geographical region (amounts in millions).

ERC by Geographical Region



The following chart shows our ERC by year for the 12 month periods ending March 31 in each of the years presented below. The forecast amounts reflect our estimate at March 31, 2022 of how much we expect to collect on our portfolios. These estimates are translated to U.S. dollars at the March 31, 2022 exchange rate.

ERC by Year



Seasonality

Typically cash collections in the Americas tend to be higher in the first half of the year due to the high volume of income tax refunds received by individuals in the U.S., and trend lower as the year progresses. In the first quarter of 2022, this spike was not as pronounced. Additionally, 2021 and 2020 deviated from usual seasonal patterns due to the impact of the COVID-19 pandemic. Customer payment patterns in all of the countries in which we operate can be affected by seasonal employment trends, income tax refunds, and holiday spending habits.

Cash Collections

The following table displays our quarterly cash collections by geography and portfolio type, for the periods indicated (amounts in thousands).

	Cash Collections by Geography and Type							
	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Americas and Australia Core	\$ 270,284	\$ 257,705	\$ 276,691	\$ 324,845	\$ 347,638	\$ 286,524	\$ 336,322	\$ 343,269
Americas Insolvency	35,209	36,851	37,464	37,768	35,253	36,048	37,344	38,685
Europe Core	151,162	155,853	151,625	157,637	149,486	141,471	131,702	115,145
Europe Insolvency	24,325	23,262	22,574	23,579	23,510	17,830	13,971	12,841
Total Cash Collections	<u>\$ 480,980</u>	<u>\$ 473,671</u>	<u>\$ 488,354</u>	<u>\$ 543,829</u>	<u>\$ 555,887</u>	<u>\$ 481,873</u>	<u>\$ 519,339</u>	<u>\$ 509,940</u>

The following table provides additional details on the composition of our Core cash collections for the periods indicated (amounts in thousands).

	Cash Collections by Source - Core Portfolios Only							
	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Call Center and Other Collections	\$ 291,266	\$ 283,606	\$ 298,717	\$ 338,022	\$ 355,043	\$ 296,865	\$ 325,898	\$ 319,236
External Legal Collections	55,179	55,760	54,445	61,836	65,613	58,481	68,861	70,310
Internal Legal Collections	75,001	74,192	75,154	82,624	76,468	72,649	73,265	68,868
Total Core Cash Collections	<u>\$ 421,446</u>	<u>\$ 413,558</u>	<u>\$ 428,316</u>	<u>\$ 482,482</u>	<u>\$ 497,124</u>	<u>\$ 427,995</u>	<u>\$ 468,024</u>	<u>\$ 458,414</u>

Collections Productivity (U.S. Portfolio)

The following tables displays a collections productivity measure for our U.S. Portfolios for the periods indicated.

	Cash Collections per Collector Hour Paid U.S. Portfolio					
	Call center and other cash collections ⁽¹⁾					
	2022	2021	2020	2019	2018	
First Quarter	\$ 261	\$ 279	\$ 172	\$ 139	\$ 121	
Second Quarter	—	270	263	139	101	
Third Quarter	—	242	246	124	107	
Fourth Quarter	—	232	204	128	104	

(1) Represents total cash collections less internal legal cash collections, external legal cash collections, and insolvency cash collections from trustee-administered accounts.

Cash Efficiency Ratio

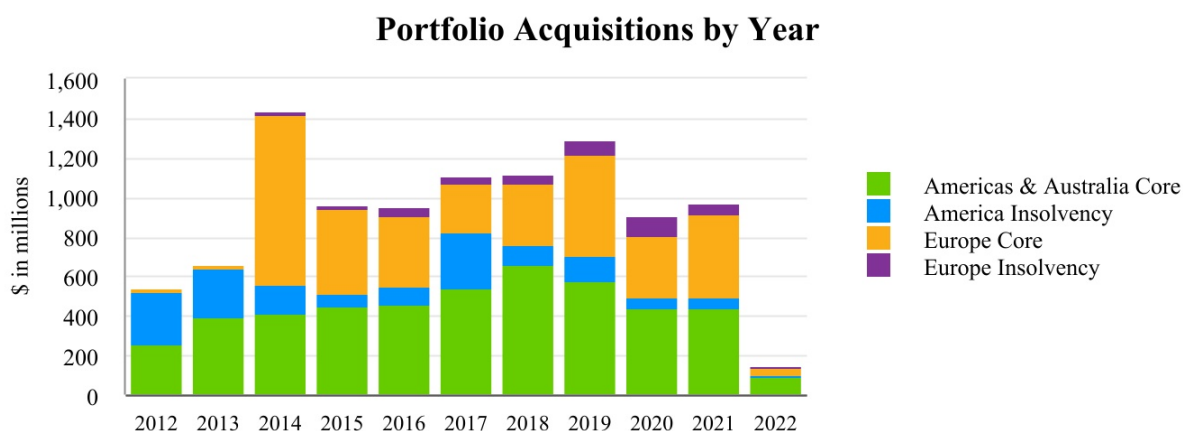
The following table displays our cash efficiency for the periods indicated.

	Cash Efficiency Ratio ⁽¹⁾		
	2022	2021	2020
First Quarter	65.1%	68.0%	61.5%
Second Quarter	—	66.8	68.7
Third Quarter	—	62.4	65.6
Fourth Quarter	—	63.5	61.9
Full Year	—	65.3	64.5

(1) Calculated by dividing cash receipts less operating expenses by cash receipts.

Portfolio Acquisitions

The following graph shows the purchase price of our portfolios by year since 2012. It also includes the acquisition date nonperforming loan portfolios that were acquired through our business acquisitions. The 2022 totals represent portfolio acquisitions through the three months ended March 31, 2022 while the prior year totals are for the full year.



The following table displays our quarterly portfolio acquisitions for the periods indicated (amounts in thousands).

	Portfolio Acquisitions by Geography and Type							
	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Americas and Australia Core	\$ 90,639	\$ 90,263	\$ 162,451	\$ 98,901	\$ 88,912	\$ 67,460	\$ 84,139	\$ 110,474
Americas Insolvency	9,118	21,183	9,878	14,642	9,486	12,504	14,328	14,527
Europe Core	38,764	60,430	212,194	106,134	44,095	137,647	74,930	34,247
Europe Insolvency	8,929	29,820	7,424	—	16,468	72,171	4,203	5,251
Total Portfolio Acquisitions	\$ 147,450	\$ 201,696	\$ 391,947	\$ 219,677	\$ 158,961	\$ 289,782	\$ 177,600	\$ 164,499

Portfolio Acquisitions by Stratification (U.S. Only)

The following table categorizes our quarterly U.S. portfolio acquisitions for the periods indicated into major asset type and delinquency category. Since our inception in 1996, we have acquired more than 59 million customer accounts in the U.S. (amounts in thousands).

	U.S. Portfolio Acquisitions by Major Asset Type									
	2022		2021							
	Q1		Q4		Q3		Q2		Q1	
Major Credit Cards	\$ 18,160	23.0 %	\$ 50,017	51.4 %	\$ 46,888	48.9 %	\$ 43,229	38.9 %	\$ 28,230	31.1 %
Private Label Credit Cards	46,195	58.6	28,293	29.1	42,249	44.1	52,475	47.3	50,180	55.4
Consumer Finance	13,968	17.7	4,617	4.8	6,081	6.3	12,555	11.3	11,861	13.1
Auto Related	514	0.7	14,319	14.7	668	0.7	2,741	2.5	381	0.4
Total	\$ 78,837	100.0 %	\$ 97,246	100.0 %	\$ 95,886	100.0 %	\$ 111,000	100.0 %	\$ 90,652	100.0 %

U.S. Portfolio Acquisitions by Delinquency Category

	2022				2021					
	Q1		Q4		Q3		Q2		Q1	
Fresh ⁽¹⁾	\$ 29,077	41.7 %	\$ 17,096	22.5 %	\$ 21,511	25.0 %	\$ 29,031	30.1 %	\$ 21,502	26.4 %
Primary ⁽²⁾	11,445	16.4	557	0.7	560	0.7	431	0.4	1,360	1.7
Secondary ⁽³⁾	26,748	38.4	54,915	72.2	62,382	72.5	58,459	60.7	50,546	62.1
Other ⁽⁴⁾	2,449	3.5	3,495	4.6	1,555	1.8	8,437	8.8	8,050	9.8
Total Core	69,719	100.0 %	76,063	100.0 %	86,008	100.0 %	96,358	100.0 %	81,458	100.0 %
Insolvency	9,118		21,183		9,878		14,642		9,194	
Total	\$ 78,837		\$ 97,246		\$ 95,886		\$ 111,000		\$ 90,652	

(1) Fresh accounts are typically past due 120 to 270 days, charged-off by the credit originator and sold prior to any post-charge-off collection activity.

(2) Primary accounts are typically 240 to 450 days past due, charged-off and have been previously placed with one contingent fee servicer.

(3) Secondary accounts are typically 360 to 630 days past due, charged-off and have been previously placed with two contingent fee servicers.

(4) Other accounts are 480 days or more past due, charged-off and have previously been worked by three or more contingent fee servicers.

Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). However, our management uses certain non-GAAP financial measures, including adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), to evaluate our operating and financial performance as well as to set performance goals. We present Adjusted EBITDA because we consider it an important supplemental measure of operations and financial performance. Our management believes Adjusted EBITDA helps provide enhanced period-to-period comparability of operations and financial performance, as it excludes certain items whose fluctuations from period to period do not necessarily correspond to changes in the operations of our business, and is useful to investors as other companies in the industry report similar financial measures. Adjusted EBITDA should not be considered as an alternative to net income determined in accordance with GAAP. In addition, our calculation of Adjusted EBITDA may not be comparable to the calculation of similarly titled measures presented by other companies.

Adjusted EBITDA is calculated starting with our GAAP financial measure, net income attributable to PRA Group, Inc. and is adjusted for:

- income tax expense (or less income tax benefit);
- foreign exchange loss (or less foreign exchange gain);
- interest expense, net (or less interest income, net);
- other expense (or less other income);
- depreciation and amortization;
- net income attributable to noncontrolling interests; and
- recoveries applied to negative allowance less changes in expected recoveries.

The following table is a reconciliation of net income, as reported in accordance with GAAP, to Adjusted EBITDA for the last 12 months ("LTM") as of March 31, 2022 and for the year ended December 31, 2021 (amounts in thousands):

Reconciliation of Non-GAAP Financial Measures

	LTM March 31, 2022	For the Year Ended December 31, 2021
Net income attributable to PRA Group, Inc.	\$ 164,724	\$ 183,158
Adjustments:		
Income tax expense	42,074	54,817
Foreign exchange losses/(gains)	1,315	809
Interest expense, net	124,339	124,143
Other expense ⁽¹⁾	234	(282)
Depreciation and amortization	15,053	15,256
Adjustment for net income attributable to noncontrolling interests	3,523	12,351
Recoveries applied to negative allowance less Changes in expected recoveries	957,984	988,050
Adjusted EBITDA	<u>\$ 1,309,246</u>	<u>\$ 1,378,302</u>

(1) Other expense/(income) reflects non-operating related activity.

Additionally, we evaluate our business using certain ratios that use Adjusted EBITDA, including Debt to Adjusted EBITDA, which is calculated by dividing borrowings by Adjusted EBITDA. The following table reflects our Debt to Adjusted EBITDA for the LTM as of March 31, 2022 and for the year ended December 31, 2021 (amounts in thousands):

Debt to Adjusted EBITDA

	LTM March 31, 2022	For the Year Ended December 31, 2021
Borrowings	\$ 2,539,462	\$ 2,608,714
Adjusted EBITDA	\$ 1,309,246	\$ 1,378,302
Debt to Adjusted EBITDA	1.94 x	1.89 x

Liquidity and Capital Resources

We actively manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations.

Sources of Liquidity

Cash and cash equivalents. As of March 31, 2022, cash and cash equivalents totaled \$79.1 million. Of the cash and cash equivalents balance as of March 31, 2022, \$68.0 million consisted of cash on hand related to international operations with indefinitely reinvested earnings. See the "Undistributed Earnings of International Subsidiaries" section below for more information.

Borrowings. At March 31, 2022, we had the following borrowings outstanding and availability under our credit facilities (amounts in thousands):

	Outstanding	Available without Restrictions	Available with Restrictions ⁽¹⁾
Americas revolving credit ⁽²⁾	\$ 372,870	\$ 703,193	\$ 72,869
European revolving credit	727,417	662,583	498,215
Term loan	457,500	—	—
Senior Notes	650,000	—	—
Convertible Notes	345,000	—	—
Less: Debt discounts and issuance costs	(13,325)	—	—
Total	\$ 2,539,462	\$ 1,365,776	\$ 571,084

(1) Available borrowings after calculation of current borrowing base and debt covenants as of March 31, 2022.

(2) Includes North American revolving credit facility and Colombian revolving credit facility.

Subsequent to March 31, 2022, in connection with the refinancing of our European credit facilities, our Eighth Amendment and Restatement to our European Credit Agreement was effective and, among other things, extended the agreement for one year and decreased aggregate borrowing limits by \$600.0 million. Additionally, we entered into an \$800.0 million new UK credit facility. For more information on our refinancing, refer to [Note 6](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Interest-bearing deposits. Per the terms of our European credit facility, we are permitted to obtain interest-bearing deposit funding of up to SEK 1.2 billion (approximately \$128.8 million as of March 31, 2022). Interest-bearing deposits as of March 31, 2022 were \$117.0 million.

Furthermore, we have the ability to slow the purchase of nonperforming loans if necessary, and use the net cash flow generated from our cash collections from our portfolio of existing nonperforming loans to temporarily service our debt and fund existing operations. For example, we invested \$972.3 million in portfolio acquisitions in 2021. The portfolios acquired in 2021 generated \$143.3 million of cash collections, representing only 7.0% of 2021 cash collections.

Uses of Liquidity and Material Cash Requirements

Forward Flows. Contractual obligations over the next year are primarily related to purchase commitments. As of March 31, 2022, we have forward flow commitments in place for the purchase of nonperforming loans with a maximum purchase price of \$618.9 million, of which \$617.1 million is due within the next 12 months. The \$618.9 million is comprised of \$366.3 million for the Americas and Australia and \$252.6 million for Europe. We may also enter into new or renewed forward flow commitments and close on spot transactions in addition to the aforementioned forward flow agreements.

Borrowings. Of our \$2.5 billion borrowings at March 31, 2022, estimated interest, unused fees and principal payments for the next 12 months are approximately \$110.0 million, of which, \$10.3 million relates to principal. Beyond 12 months our principal payment obligations related to debt maturities occur between one and eight years. Many of our financing arrangements include restrictive covenants with which we must comply. As of March 31, 2022, we determined that we were in compliance with these covenants. For more information, see [Note 6](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Share Repurchases. On February 25, 2022, we completed our \$230.0 million share repurchase program. Also on February 25, 2022, our Board of Directors approved a new share repurchase program under which we are authorized to repurchase up to \$150.0 million of our outstanding common stock. Repurchases may be made from time-to-time in open market transactions, through privately negotiated transactions, in block transactions, through purchases made in accordance with trading plans adopted under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or other methods, subject to market and/or other conditions and applicable regulatory requirements. The new share repurchase program has no stated expiration date and does not obligate us to repurchase any specified amount of shares, remains subject to the discretion of our Board of Directors and, subject to compliance with applicable laws, may be modified, suspended or discontinued at any time. During the three months ended March 31, 2022, we repurchased 860,031 shares of our common stock for approximately \$39.5 million. As of March 31, 2022, we had \$127.7 million remaining for share repurchases under the new program. For more information, see [Item 2](#) included in Part II of this Quarterly Report.

Leases. The majority of our leases have remaining lease terms of one to 13 years. As of March 31, 2022, we had \$59.7 million in lease liabilities, of which approximately \$10.0 million matures within the next 12 months. For more information, see [Note 5](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Employment Agreements. We have entered into employment agreements with certain executive officers for approximately \$12.0 million, of which \$6.8 million is payable if executed within the next 12 months. Our U.S. executive officer agreements mature in December 2023, while executive officer agreements entered into outside of the U.S. are pursuant to local country regulations and typically do not have expiration dates. For more information, see [Note 12](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

We believe that funds generated from operations and from cash collections on nonperforming loan portfolios, together with existing cash, available borrowings under our revolving credit facilities, including our new UK credit facility and recent modifications to the terms of our existing facilities, and access to the capital markets will be sufficient to finance our operations, planned capital expenditures, forward flow purchase commitments, debt maturities and additional portfolio purchases during the next 12 months and beyond. We may seek to access the debt or equity capital markets as we deem appropriate, market conditions permitting. Business acquisitions or higher than expected levels of portfolio purchasing could require additional financing from other sources.

Cash Flows Analysis

The following table summarizes our cash flow activity for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 (amounts in thousands):

	Three Months Ended March 31,		
	2022	2021	Change
Net cash provided by (used in):			
Operating activities	\$ (22,744)	\$ 20,208	\$ (42,952)
Investing activities	126,329	166,982	(40,653)
Financing activities	(112,647)	(192,955)	80,308
Effect of exchange rate on cash	910	(6,427)	7,337
Net decrease in cash and cash equivalents	<u>\$ (8,152)</u>	<u>\$ (12,192)</u>	<u>\$ 4,040</u>

Operating Activities

Cash provided by operating activities mainly reflects cash collections recognized as revenue partially offset by cash paid for operating expenses, interest and income taxes. Key drivers of operating activities were adjusted for (i) non-cash items included in net income such as provisions for unrealized gains and losses, changes in expected recoveries, depreciation and amortization, deferred taxes, fair value changes in equity securities, and stock-based compensation as well as (ii) changes in the balances of operating assets and liabilities, which can vary significantly in the normal course of business due to the amount and timing of payments.

Net cash used in operating activities of \$22.7 million for the three months ended March 31, 2022, decreased \$43.0 million from net cash provided by operating activities of \$20.2 million for three months ended March 31, 2021. The change was mainly driven by lower cash collections recognized as portfolio income and the impact of foreign currency transactions.

Investing Activities

Cash provided by investing activities mainly reflects recoveries applied to our negative allowance. Cash used in investing activities mainly reflects purchases of nonperforming loans.

Cash provided by investing activities decreased \$40.7 million during the three months ended March 31, 2022, primarily driven by a decrease of \$50.3 million in recoveries applied to negative allowance slightly offset by an \$11.9 million decrease in net of purchases of finance receivables reflecting the impact of cash collections in the prior year.

Financing Activities

Cash provided by financing activities is normally provided by draws on our lines of credit and proceeds from debt offerings. Cash used in financing activities is primarily driven by principal payments on our lines of credit and long-term debt.

Cash used in financing activities decreased \$80.3 million during the three months ended March 31, 2022, primarily driven by a decrease of \$132.8 million in net payments on our lines of credit partially offset by \$48.7 million of repurchases of our common stock during the three months ended March 31, 2022.

Undistributed Earnings of International Subsidiaries

We intend to use predominantly all of our accumulated and future undistributed earnings of international subsidiaries to expand operations outside the U.S.; therefore, such undistributed earnings of international subsidiaries are considered to be indefinitely reinvested outside the U.S. Accordingly, no provision for income tax and withholding tax has been provided thereon. If management's intentions change and eligible undistributed earnings of international subsidiaries are repatriated, we could be subject to additional income taxes and withholding taxes. This could result in a higher effective tax rate in the period in which such a decision is made to repatriate accumulated or future undistributed international earnings. The amount of cash on hand related to international operations with indefinitely reinvested earnings was \$68.0 million and \$61.9 million as of March 31, 2022 and December 31, 2021, respectively. Refer to [Note 11](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report for further information related to our income taxes and undistributed international earnings.

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements and the anticipated effects on our Consolidated Financial Statements see [Note 13](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Critical Accounting Estimates

Our Consolidated Financial Statements have been prepared in accordance with GAAP. Some of our significant accounting policies require that we use estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities. For a discussion of our significant accounting policies, refer to Note 1 to our Consolidated Financial Statements included in Item 8 of our 2021 Annual Report on Form 10-K.

We consider accounting estimates to be critical if (1) the accounting estimates made involve a significant level of estimation uncertainty and (2) has had or are reasonably likely to have a material impact on our financial condition or results of operations. We base our estimates on historical experience, current trends and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ significantly from actual results, the impact on our Consolidated Financial Statements may be material.

We have determined that the following accounting policies involve critical estimates:

Revenue Recognition - Finance Receivables

Revenue recognition for finance receivables involves the use of estimates and the exercise of judgment on the part of management. These estimates include projections of the amount and timing of future cash flows and economic lives of our pools of accounts. We review pools for trends, actual performance versus projections and curve shape (a graphical depiction of the timing of cash flows). We then re-forecast future cash flows by applying a discounted cash flow methodology to our ERC.

During the first quarter 2021, we made assumptions that the majority of cash collections overperformance was due to acceleration of future collections rather than an increase to total expected collections. Therefore, we adjusted the next three to six month forecast to reflect collection trends from actual results with corresponding reductions to the collection forecast later in the forecast period. During the first quarter of 2022, this assumption remained relatively consistent. We adjusted some of our pools in the near-term (next six months) to reflect current collection trends with corresponding adjustments later in the forecast period.

Significant changes in such estimates could result in increased or decreased revenue as we immediately recognize the discounted value of such changes using the constant effective interest rate of the pool. Generally, adjustments to reduce estimated cash forecasts for overperformance experienced in the current period result in a negative adjustment to revenue at an amount less than the impact of the overperformance due to the effects of discounting. Additionally, cash flow forecast increases will generally result in more revenue being recognized. Based on historical data, we determined there was no evidence to suggest that recent overperformance in cash was improvement to the total estimated collections instead of acceleration. This assumption resulted in offsetting reductions in future cash flow expectations across most of our geographies. As we continue to perform against these revised expectations, performance may vary, which could result in additional adjustments to our cash flow forecasts with a corresponding adjustment to total portfolio revenue.

Income Taxes

We are subject to income taxes throughout the U.S. and in numerous international jurisdictions. These tax laws are complex and are subject to different interpretations by the taxpayer and the relevant government taxing authorities. When determining our domestic and non-U.S. income tax expense, we make judgments about the application of these inherently complex laws.

We record a tax provision for the anticipated tax consequences of the reported results of operations. The provision for income taxes is estimated using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

We exercise significant judgment in estimating the potential exposure to unresolved tax matters and apply a more likely than not criteria approach for recording tax benefits related to uncertain tax positions in the application of the complex tax laws. While actual results could vary, we believe we have adequate tax accruals with respect to the ultimate outcome of such unresolved tax matters. We record interest and penalties related to unresolved tax matters as a component of income tax expense when the more likely than not standards are met.

If all or part of the deferred tax assets are determined not to be realizable in the future, we would establish a valuation allowance and charge to earnings the impact in the period such a determination is made. If we subsequently realize deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in a positive adjustment to earnings. The establishment or release of a valuation allowance does not have an impact on cash, nor does such an allowance preclude the use of loss carryforwards or other deferred tax assets in future periods. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial position. For further information regarding our uncertain tax positions, refer to Note 13 to our Consolidated Financial Statements included in Item 8 of our 2021 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our activities are subject to various financial risks, including market risk, currency and interest rate risk, credit risk, liquidity risk and cash flow risk. Our financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We may periodically enter into derivative financial instruments, typically interest rate and currency derivatives, to reduce our exposure to fluctuations in interest rates on variable-rate debt, fluctuations in currency rates and their impact on earnings and cash flows. We do not utilize derivative financial instruments with a level of complexity or with a risk greater than the exposure to be managed nor do we enter into or hold derivatives for trading or speculative purposes. Derivative instruments involve, to varying degrees, elements of non-performance, or credit risk. We do not believe that we currently face a significant risk of loss in the event of non-performance by the counterparties associated with these instruments as these transactions were executed with a diversified group of major financial institutions with an investment-grade credit rating. Our intention is to spread our counterparty credit risk across a number of counterparties so that exposure to a single counterparty is minimized.

Interest Rate Risk

We are subject to interest rate risk from outstanding borrowings on our variable rate credit facilities. As such, our consolidated financial results are subject to fluctuations due to changes in the market rate of interest. We assess this interest rate risk by estimating the increase or decrease in interest expense that would occur due to a change in short-term interest rates. The borrowings on our variable rate credit facilities were approximately \$1.6 billion as of March 31, 2022. Based on our debt structure at March 31, 2022, assuming a 50 basis point decrease in interest rates, for example, interest expense over the following 12 months would decrease by an estimated \$3.4 million. Assuming a 50 basis point increase in interest rates, interest expense over the following 12 months would increase by an estimated \$3.7 million.

To reduce the exposure to changes in the market rate of interest and to be in compliance with the terms of our European credit facility, we have entered into interest rate derivative contracts for a portion of our borrowings under our floating rate financing arrangements. We apply hedge accounting to certain of our interest rate derivative contracts. By applying hedge accounting, changes in market value are reflected as adjustments in Other Comprehensive Income. All derivatives to which we have applied hedge accounting were evaluated and remained highly effective at March 31, 2022. Terms of the interest rate derivative contracts require us to receive a variable interest rate and pay a fixed interest rate. The sensitivity calculations above consider the impact of our interest rate derivative contracts and zero interest rate floors on revolving loans under both our North America and European credit facilities.

Currency Exchange Risk

We operate internationally and enter into transactions denominated in various foreign currencies. During the three months ended March 31, 2022, we generated \$89.2 million of revenues from operations outside the U.S. and used 12 functional currencies, excluding the U.S. dollar. Weakness in one particular currency might be offset by strength in other currencies over time.

As a result of our international operations, fluctuations in foreign currencies could cause us to incur foreign currency exchange gains and losses, and could adversely affect our comprehensive income and stockholders' equity. Additionally, our reported financial results could change from period to period due solely to fluctuations between currencies.

Foreign currency gains and losses are primarily the result of the re-measurement of transactions in certain other currencies into an entity's functional currency. Foreign currency gains and losses are included as a component of other income and (expense) in our Consolidated Income Statements. From time to time we may elect to enter into foreign exchange derivative contracts to reduce these variations in our Consolidated Income Statements.

When an entity's functional currency is different than the reporting currency of its parent, foreign currency translation adjustments may occur. Foreign currency translation adjustments are included as a component of other comprehensive income in our Consolidated Statements of Comprehensive Income and as a component of equity in our Consolidated Balance Sheets.

We have taken measures to mitigate the impact of foreign currency fluctuations. We have organized our European operations such that portfolio ownership and collections generally occur within the same entity. Our European credit facility is a multi-currency facility, allowing us to better match funding and portfolio acquisitions by currency. We actively monitor the value of our finance receivables by currency. In the event adjustments are required to our liability composition by currency we may, from time to time, execute re-balancing foreign exchange contracts to more closely align funding and portfolio acquisitions by currency.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. We conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that, as of March 31, 2022, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

For information regarding legal proceedings as of March 31, 2022, refer to [Note 12](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our 2021 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchase Programs

On February 25, 2022, we completed our \$230.0 million share repurchase program. Also on February 25, 2022, our Board of Directors approved a new share repurchase program under which we are authorized to repurchase up to \$150.0 million of our outstanding common stock. For more information, see [Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources"](#) in this Quarterly Report.

The following table provides information about our common stock purchased during the first quarter of 2022.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Remaining Purchase Price for Share Repurchases Under the Program ⁽¹⁾
January 1, 2022 to January 31, 2022	185,962	\$ 48.47	185,962	\$ 8,118
February 1, 2022 to February 28, 2022	176,415	46.20	176,415	150,000
March 1, 2022 to March 31, 2022	497,654	44.86	497,654	127,675
Total	860,031	\$ 45.88	860,031	

(1) Dollars in thousands.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- [3.1](#) [Fifth Amended and Restated Certificate of Incorporation of PRA Group, Inc. \(Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed June 17, 2020 \(File No. 000-50058\)\).](#)
- [3.2](#) [Amended and Restated By-Laws of PRA Group, Inc. \(Incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K filed June 17, 2020 \(File No. 000-50058\)\).](#)
- [4.1](#) [Form of Common Stock Certificate \(Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to the Registration Statement on Form S-1 filed October 15, 2002 \(Registration No. 333-99225\)\).](#)
- [4.2](#) [Form of Warrant \(Incorporated by reference to Exhibit 4.2 of Amendment No. 2 to the Registration Statement on Form S-1 filed October 30, 2002 \(Registration No. 333-99225\)\).](#)
- [4.3](#) [Indenture dated May 26, 2017 between PRA Group, Inc. and Regions Bank, as trustee \(Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed May 26, 2017 \(File No. 000-50058\)\).](#)
- [4.4](#) [First Supplemental Indenture dated as of March 31, 2021 between PRA Group, Inc. and Regions Bank, as trustee \(Incorporated by reference to Exhibit 4.4 of the Quarterly Report on Form 10-Q filed August 05, 2021 \(File No. 000-50058\)\).](#)
- [4.5](#) [Indenture dated as of August 27, 2020 among PRA Group Inc., the domestic subsidiaries of PRA Group Inc., party thereto and Regions Bank as trustee \(Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 1, 2020 \(File No. 000-50058\)\).](#)
- [4.6](#) [Indenture dated as of September 22, 2021 among PRA Group Inc., the domestic subsidiaries of PRA Group Inc., party thereto and Regions Banks, as trustee \(Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 24, 2021 \(Filed No. 000-50058\)\).](#)

<u>4.7</u>	<u>Description of the Registrant's Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.3 of the Annual Report on Form 10-K filed February 26, 2021 (File No. 000-50058))</u> .
<u>10.1</u>	<u>Eighth Amendment and Restatement Agreement to the Multicurrency Revolving Credit Facility Agreement, dated as of March 29, 2022 by and among PRA Group Europe Holding S.à.r.l., PRA Group Europe Holding S.à.r.l., Luxembourg, Zug Branch and DNB Bank ASA. (filed herewith)</u> .
<u>10.2</u>	<u>Fifth Amendment to the Credit Agreement, dated as of March 29, 2022, by and among PRA Group Inc. and PRA Group Canada Inc., the Guarantors, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, and Bank of America, N.A., acting through its Canada Branch, as Canadian Administrative Agent (filed herewith)</u> .
<u>31.1</u>	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith)</u> .
<u>31.2</u>	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith)</u> .
<u>32.1</u>	<u>Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (filed herewith)</u> .
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkable Document
101.LAB	XBRL Taxonomy Extension Label Linkable Document
101.PRE	XBRL Taxonomy Extension Presentation Linkable Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRA Group, Inc.
(Registrant)

May 9, 2022

By: /s/ Kevin P. Stevenson
Kevin P. Stevenson
President and Chief Executive Officer
(Principal Executive Officer)

May 9, 2022

By: /s/ Peter M. Graham
Peter M. Graham
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

USD 750,000,000

MULTICURRENCY REVOLVING CREDIT FACILITY AGREEMENT

originally dated 23 October 2014

and

amended by an amendment letter dated 18 December 2014 and an amendment letter dated 13 January 2015, and as amended and restated by a first amendment and restatement agreement dated 12 June 2015, a second amendment and restatement agreement dated 19 February 2016, a third amendment and restatement agreement dated 2 September 2016, a fourth amendment and restatement agreement dated 23 January 2018, a fifth amendment and restatement agreement dated 25 March 2019, a sixth amendment and restatement agreement dated 27 March 2020, a seventh amendment and restatement agreement dated 12 March 2021 and an eighth amendment and restatement agreement dated 29 March 2022

for

PRA Group Europe Holding S.à r.l

arranged by

DNB Bank ASA, Nordea Bank Abp, filial i Norge and Swedbank AB (publ)
as Mandated Lead Arrangers
and

DNB Bank ASA, Nordea Bank Abp, filial i Norge and Swedbank AB (publ)
as Bookrunners
and

DNB Bank ASA, Nordea Bank Abp, filial i Norge and Swedbank AB (publ)
as Lenders

with

DNB BANK ASA
as Facility Agent

and

DNB BANK ASA
as Security Agent

www.bahr.no

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SCHEDULE 1 The Guarantors

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THIS AGREEMENT is originally dated 23 October 2014 as amended and restated by a first amendment agreement dated 12 June 2015, a second amendment and restatement agreement dated 19 February 2016, a third amendment and restatement agreement dated 2 September 2016, a fourth amendment and restatement agreement dated 23 January 2018, a fifth amendment and restatement agreement dated 25 March 2019, a sixth amendment and restatement agreement dated 27 March 2020, a seventh amendment and restatement agreement dated 12 March 2021 and an eighth amendment and restatement agreement dated 29 March 2022 made between

- (1) **PRA Group Europe Holding S.à r.l.** (formerly SHCO 54 S.à r.l.), a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, having its registered office at 42-44, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxemburg Trade and Companies Register under number B183422 and acting through its Swiss branch office PRA Group Europe Holding S.à r.l., Luxembourg, Zug Branch (the “**Swiss Branch**”) at Bundesstrasse 5, 6300 Zug, Switzerland (registration number CHE-305.746.539) as borrowers (each a “**Borrower**”, together the “**Borrowers**”);
- (2) **THE COMPANIES** listed in Schedule 1 as guarantors (each a “**Guarantor**”);
- (3) **THE LENDERS** listed in Schedule 2 as lenders (each a “**Lender**”);
- (4) **DNB Bank ASA** of Dronning Eufemias gate 30, 0191 Oslo, Norway (registration number 984 851 006) as facility agent (the “**Facility Agent**”);
- (5) **DNB Bank ASA** of Dronning Eufemias gate 30, 0191 Oslo, Norway (registration number 984 851 006) as security agent (the “**Security Agent**”);
- (6) **DNB Bank ASA**, of Dronning Eufemias gate 30, 0191 Oslo, Norway (registration number 984 851 006), **Nordea Bank Abp, filial i Norge** of Essendrops gate 7, 0368 Oslo, Norway (the Norwegian branch of **Nordea Bank Abp** of FI-00020 NORDEA, Finland with registration no. 2858394-9 (being the legal successor to Nordea Bank Norge ASA)) and **Swedbank AB (publ)** of Landsvägen 40, 172 63 Sundbyberg, Sweden as mandated lead arrangers (the “**Mandated Lead Arrangers**”); and
- (7) **DNB Bank ASA**, of Dronning Eufemias gate 30, 0191 Oslo, Norway (registration number 984 851 006), **Nordea Bank Abp, filial i Norge** of Essendrops gate 7, 0368 Oslo, Norway (the Norwegian branch of **Nordea Bank Abp** of FI-00020 NORDEA, Finland with registration no. 2858394-9 (being the legal successor to Nordea Bank Norge ASA)) and **Swedbank AB (publ)** of Landsvägen 40, 172 63 Sundbyberg, Sweden as bookrunners (the “**Bookrunners**”).

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the terms and expressions with capital letters shall have the meaning as set out in this Clause 1.1 unless the context otherwise requires.

“**Accession Agreement**” means an agreement substantially in the form set out in Schedule 5 (*Form of Accession Agreement*), or as otherwise approved by the Facility Agent whereby *inter alia* a person becomes a Party to this Agreement in relation to all existing Parties under this

Agreement and all existing Parties, including any subsequent Party, become bound in relation to such new acceding Party.

"**Accordion Increase**" has the meaning given to it in Clause 2.2 (The Accordion Option).

"**Accordion Increase Amount**" has the meaning given to it in Clause 2.2 (The Accordion Option).

"**Accordion Increase Date**" means the date on which an Accordion Increase takes effect in accordance with Clause 2.2.15.

"**Accordion Notice**" has the meaning given to it in Clause 2.2 (The Accordion Option).

"**Accordion Notice Period**" has the meaning given to it in Clause 2.2 (The Accordion Option).

"**Accordion Option**" means the option described in Clause 2.2 (The Accordion Option).

"**Accounting Principles**" means either GAAP Principles or CECL Principles as applicable.

"**Accounting Reference Date**" means 31 December.

"**Accounts**" means the financial statements provided pursuant to Clause 14.1.1 (*Financial Statements*).

"**Acquisition Price**" means the Aggregate Cash Purchase Price being paid to a seller of one or more than one Approved Loan Portfolio with any additional external fees and VAT paid by the buyer as applicable.

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a holding company of that person or any other Subsidiary of that holding company.

"**Aggregate Cash Purchase Price**" means the agreed purchase price for a Loan Portfolio. Any claims and/or cash paid to the seller as a result of claims reported in accordance with Clause 14.1.9 (*Claims from sellers of Approved Loan Portfolio*) shall be deducted from the Acquisition Price.

"**Agents**" means the Facility Agent and the Security Agent and "**Agent**" means either of them, as applicable.

"**Agreement**" means this agreement as from time to time amended.

"**AK Nordic**" means AK Nordic AB, a company incorporated in Sweden with organisation number 556197-8825.

"**AK Nordic Deposits**" means any funds provided to AK Nordic by accountholders with AK Nordic.

"**Applicable Margin**" means:

in relation to any Loan when the ERC Ratio is:

- (a) equal to or above 42%, 3.80% per annum;

- (b) equal to or above 36% but lower than 42%, 3.50% per annum;
- (c) equal to or above 24% but lower than 36%, 3.20% per annum; and
- (d) below 24%, 2.70% per annum.

“Approved Loan Portfolio” means, subject to Clause 14.3.7 (*Merger and Acquisitions etc.*):

- (e) a Loan Portfolio which is acquired after the date hereof; or
- (f) a Loan Portfolio belonging to a company which is acquired by a Group Company after the date hereof and has become a Portfolio Owner;

and which satisfies the following conditions (if not otherwise approved in writing by the Facility Agent on behalf of the Majority Lenders):

- (i) claims arising from Lenders, financial institutions under supervision of a financial authority, other reputable entities engaged in consumer based financing or telecommunication, utility or mail order companies within a Permitted Jurisdiction;
- (ii) the seller of the Loan Portfolio is a party unconnected with the Borrower or any of its affiliates (other than in relation to a sale from one Portfolio Owner to another Portfolio Owner);
- (iii) the buyer of the Loan Portfolio is a Portfolio Owner (except for such acquisition described in (b) above);
- (iv) the acquired Loan Portfolio is not subject to any Encumbrance or any other restrictions where the seller of the Loan Portfolio or a related party of the seller has a right to re-purchase the acquired Loan Portfolio (save where such re-purchase right addresses concerns of the seller relating to (i) (its) compliance with laws and regulations, (ii) reputational issues, (iii) the failure of the relevant portfolio owner to comply with industry practice standards, or (iv) similar reasons not financially motivated, provided in each case that such re-purchase right is on customary terms and conditions;
- (v) the Acquisition Price does not exceed USD 200,000,000, other than for the Brighton Portfolio, the Belfast Portfolio and the MBNA Portfolio;
- (vi) forward flow contracts shall have a maturity of maximum twenty four (24) months or a termination clause with the same effect; and
- (vii) the acquisition shall not lead to a breach of any of the following conditions:
 - (A) ERC of Loan Portfolios with an Acquisition Price exceeding 60% of face value shall in aggregate not constitute more than 5% of the aggregate ERC of Total Loan Portfolios;
 - (B) ERC of Loan Portfolios from France, Portugal or the Netherlands shall in aggregate not constitute more than 5% of the aggregate ERC of Total Loan Portfolios;

- (C) ERC of Loan Portfolios from Italy shall in aggregate not constitute more than 20% of the aggregate ERC of Total Loan Portfolios;
- (D) ERC of Loan Portfolios from Spain shall in aggregate not constitute more than 20% of the aggregate ERC of Total Loan Portfolios;
- (E) ERC of Loan Portfolios from Poland shall in aggregate not constitute more than 15% of the aggregate ERC of Total Loan Portfolios;
- (F) ERC of Loan Portfolios consisting of claims deriving from telecommunication business shall not exceed 10% of the aggregate ERC of Total Loan Portfolios; and
- (G) ERC of Loan Portfolios consisting of personal claims or personally guaranteed claims shall exceed 90% of the aggregate ERC of Total Loan Portfolios.

For the avoidance of doubt, any Loan Portfolio which had a forward flow contract which did not meet the requirement in subparagraph (vi) above at the time of acquisition, may be counted as an Approved Loan Portfolio with effect from the first Financial Quarter after the Financial Quarter in which the maturity of the relevant forward flow contract became less than twenty four (24) months, subject to such Loan Portfolio meeting the other conditions to constitute an Approved Loan Portfolio pursuant to this Agreement.

“Assignment of Intra-Group Loans” means the first priority assignment of Intra-Group Loans in favour of the Security Agent (on behalf of the Finance Parties) on terms and in substance satisfactory to the Security Agent.

“Assignment of Restructuring Intra-Group Loans” means the first priority assignment of Restructuring Intra-Group Loans in favour of the Security Agent (on behalf of the Finance Parties) on terms and in substance satisfactory to the Security Agent pursuant to (b) of the definition of Restructuring Intra-Group Loans.

“Auditors” means, in relation to each Group Company, the chartered accountant firms known as EY, PWC, KPMG, Deloitte or any other firm of chartered accountants of internationally recognised standing that has been appointed as auditors of such Group Company and approved by the Facility Agent (on behalf of all the Lenders) (each an **“Auditor”**).

“Availability Period” means, the period from and including 23 October 2014 to the date falling thirty (30) days before the Final Repayment Date, however so that any increase in the Total Commitments pursuant to Clause 2.2 (*The Accordion Option*) shall have an availability period from the date beginning on the relevant Accordion Increase Date to the date falling thirty (30) days before the Final Repayment Date.

“Belfast Portfolio” means the Loan Portfolio as presented to the Agent and Lenders on 13 May 2015, to be acquired by the Group from Barclaycard within 4 months of the First Effective Date, for a consideration not exceeding GBP 170,000,000. The Belfast Portfolio shall be owned by a Security Portfolio Owner.

"Book Value" means the book value calculated in accordance with the Accounting Principles and confirmed by an Auditor in the annual financial statements delivered pursuant to Clause 14.1.1(a).

"Book Value of Approved Loan Portfolios" has the meaning given to the term in Clause 14.4.1 (*Financial Definitions*).

"Brighton Portfolio" means the Loan Portfolio as presented to the Agent and Lenders in September 2015, to be acquired by the Group, for a consideration of approximately GBP 85,000,000. The Brighton Portfolio shall be owned by a Security Portfolio Owner.

"Business Day" means:

- (a) a day (other than a Saturday or a Sunday) on which Lenders are open for general interbank business in Oslo and Stockholm; and
- (b) in respect of a transaction involving Euros a day which also is a TARGET Day; and
- (c) in respect of a day on which a payment or other transaction in an Optional Currency is made under this Agreement, also a day (other than a Saturday, Sunday or other public holiday) on which a bank and foreign exchange markets are open for business in the principal financial centre of that Optional Currency.

"Cash Pool Account" means any account established under the Cash Pool Agreement.

"Cash Pool Agreement" means a cash pool agreement (including any participation agreement) entered into between amongst others, DNB Bank ASA, the Borrowers and certain other specified Subsidiaries of the Borrowers and where the top account is held by either of the Borrowers, or any other company approved by the Majority Lenders.

"CECL Principles" means the new CECL (Current Expected Credit Loss) accounting standard, effective from 1 January 2020.

"Certified Copy" means, in relation to a document, a copy of that document certified as being a true, complete and accurate copy of the original by a duly authorised officer of the relevant company or Borrower.

"Change" means, in relation to a Lender (or any company of which that Lender is a Subsidiary), the introduction, implementation, repeal, withdrawal or change in, or in the interpretation or application of, (a) any law, regulation, practice or concession, or (b) any directive, requirement, request or guidance (whether or not having the force of law but if not having the force of law, one which applies generally to a class or category of financial institutions of which that Lender (or that company) forms part and compliance with which is in accordance with the general practice of those financial institutions) of the European Community, any central Lender including the European Central Lender, any relevant Financial Supervisory Authority, or any other fiscal, monetary, regulatory or other authority.

"Change of Control" has the meaning given to that term in Clause 7.2.2.

"CIBOR" means in relation to any Loan or other sum in DKK:

- (d) the applicable Screen Rate; or

- (e) (if no Screen Rate is available for the Interest Period of that Loan or other sum) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request quoted by the Reference Banks to leading Lenders in the Danish interbank market,

in both cases at or about 12.00 a.m. (Oslo time) on the second Business Day prior to the relevant Interest Period for the offering of deposits in DKK and for a period comparable to the Interest Period of that Loan or other sum and if any such rate is below zero, CIBOR will be deemed to be zero.

“**Code**” means the US Internal Revenue Code of 1986.

“**Collection Company**” means an entity appointed as a collection company for the sole purpose of collection in respect of a Loan Portfolio on behalf of a Portfolio Owner (unless otherwise agreed with the Majority Lenders). For the avoidance of doubt, no member of PRA Group UK Group shall be a Collection Company.

“**Commitment**” means, in relation to a Lender, the principal amount described as such set opposite its name in Schedule 2 part I or set out under the heading “Amount of Commitment Transferred” in the schedule to any relevant Transfer Certificate, in each case as (i) reduced or cancelled, or (ii) increased, in accordance with this Agreement.

“**Compliance Certificate**” has the meaning given to that term in Clause 14.1.4 (*Compliance Certificates*), a form of which is set out in Schedule 9.

“**Default**” means any event specified as such in Clause 15.1 (*Default*).

“**Default Notice**” has the meaning given to that term in Clause 15.2 (*Acceleration, etc.*).

“**Disposal**” means a sale, transfer or other disposal (including by way of lease or loan) by a person of all or part of its assets, whether by one transaction or a series of transactions and whether at the same time or over a period of time and shall, for the avoidance of doubt, include any repurchase of any part of a Loan Portfolio pursuant to a repurchase right as described under the definition of Approved Loan Portfolio, clause (iv).

“**Drawdown Date**” means the date on which a Loan is made, or is proposed to be made.

“**Drawdown Notice**” means a notice substantially in the form set out in Part 1 of Schedule 4.

“**Earmarked Funds**” means AK Nordic Deposits which are transferred to an account with the Facility Agent.

“**EBITDA**” shall have the meaning ascribed to it under Clause 14.4.1 (*Financial definitions*).

“**Eighth Amendment and Restatement Agreement**” means the agreement for the eighth amendment and restatement of this Agreement, dated 29 March 2022.

“**Encumbrance**” means any mortgage, charge, assignment by way of security, pledge, hypothecation, lien, right of set off, retention of title provision (for the purpose of, or which has the effect of, granting security) or any other security interest of any kind whatsoever, or any agreement, whether conditional or otherwise, to create any of the same, or any agreement to

sell or otherwise dispose of any asset on terms whereby such asset is leased to or re acquired or acquired by any Group Company.

"ERC" shall have the meaning ascribed to it under Clause 14.4.1 (*Financial definitions*).

"ERC Model" shall have the meaning ascribed to it under Clause 14.4.1 (*Financial definitions*).

"ERC Ratio" shall have the meaning ascribed to it under Clause 14.4.1 (*Financial definitions*).

"EURIBOR" means, in relation to any Loan or other sum in Euro:

- (a) the applicable Screen Rate, or
- (b) (if no Screen Rate is available for the Interest Period of that Loan or other sum) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request quoted by the Reference Banks to leading Lenders in the European interbank market,

in both cases at or about 11.00 am (Brussels time) on the second Business Day prior to the relevant Interest Period for the offering of deposits in Euro and for a period comparable to the Interest Period of that Loan or other sum and if any such rate is below zero, EURIBOR will be deemed to be zero.

"Existing Increase Lender" has the meaning given to it under Clause 2.2 (The Accordion Option).

"Existing Loan Portfolio(s)" means Loan Portfolios owned by a Portfolio Owner at the date of this Agreement which fulfils the requirements set out under (i) through (vii) under the definition of Approved Loan Portfolio, or to the extent listed in Schedule 8.

"Existing Facilities" means the (i) term loan facility agreement originally dated 29 March 2011 (as amended), (ii) the revolving credit facility agreement originally dated 4 May 2012 (as amended), both entered into between PRA Group Europe AS (formerly Aktiv Kapital AS) as the borrower and the Lenders and the Agent and (iii) a NOK 350,000,000 bridge loan between DNB Bank ASA and PRA Group Europe AS (formerly Aktiv Kapital AS) dated 24 June 2014.

"Face Value" means the aggregate amount of principal, interest accrued on claims and collection costs accrued on claims within a Loan Portfolio.

"Facility" means the up to USD 750,000,000 multicurrency revolving credit facility as described in Clause 2.1 (*The Facility*).

"FATCA" means;

- (a) Sections 1471 to 1474 of Code of 1986 or any associated regulations or other official guidance;
- (b) Any treaty, law regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and

any other Jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

- (c) Any agreement pursuant to the implementation of paragraphs (a) or (b) above with the United States of America Internal Revenue Service, the United States of America's government or any governmental or taxation authority in any other jurisdiction.

"FATCA Application Date" means:

- (a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the United States of America), 1 July 2014;
- (b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the United States of America), 1 January 2017; or
- (c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2017,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

"FATCA Deduction" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"FATCA Exempt Party" means a Party that is entitled to receive payments free from any FATCA Deduction.

"Fee Letter(s)" means any letter entered into by reference to this Agreement between the Bookrunners, Agents and Borrowers setting out the amount of certain fees referred to in this Agreement.

"Final Repayment Date" means 19 February 2024.

"Finance Documents" means:

- (a) this Agreement;
- (b) the Fee Letter(s);
- (c) any Overdraft Facility Agreement;
- (d) the Hedging Agreements;
- (e) the Security Documents;
- (f) each Accession Agreement;
- (g) each Transfer Certificate;
- (h) the Parallel Debt Agreement;

- (i) the Cash Pool Agreement; and
- (j) each other document agreed as such in writing by the Facility Agent and the Borrowers.

"Finance Parties" means each Lender, the Facility Agent, the Security Agent, each Hedging Bank and each Bookrunner and **"Finance Party"** means any of them.

"Financial Quarter" means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

"Financial Year" means, in relation to a company, the period in respect of which its annual audited financial statements are required to be made up, i.e. 1 January – 31 December.

"First Amendment and Restatement Agreement" means the agreement for the first amendment and restatement of this Agreement, dated 12 June 2015.

"First Effective Date" means the date of the amendment and restatement of this Agreement becoming effective in accordance with the First Amendment and Restatement Agreement.

"GAAP Principles" means generally accepted accounting practices and principles in the country in which the Borrower is incorporated including, if applicable, IFRS.

"German Portfolio" means certain portfolios for a maximum amount up to EUR 8,000,000 to be purchased and held on trust by Berliner Inkassogesellschaft mbH ("**BIG**") for PRA Group Deutschland GmbH in accordance with a trust agreement dated 5 December 2014.

"GIBD" shall have the meaning ascribed to it under Clause 14.4.1 (*Financial definitions*).

"GIBD Ratio" shall have the meaning ascribed to it under Clause 14.4.1 (*Financial definitions*).

"Group" means the Borrowers and its Subsidiaries, except for any member of PRA Group UK Group and any Non-Recourse Companies, but for the avoidance of doubt including the Polish Securitization Funds.

"Group Company" means any of the Borrowers and its Subsidiaries, except for any member of PRA Group UK Group and any Non-Recourse Company.

"Guarantors" means the Group Companies specified in Schedule 1 as guarantors and any other Group Company that becomes party to this Agreement pursuant to Clause 12.3 (*Additional Guarantor*) and **"Guarantor"** shall be construed accordingly. For the avoidance of doubt: each of PRA Group UK Group and AK Nordic shall not be a Guarantor.

"Hedging Agreement" means a master agreement and related interest and currency hedging instruments entered into or to be entered into between PRA Group Europe AS (formerly Aktiv Kapital AS) or the Borrowers and a Hedging Bank as part of the Hedging Strategy.

"Hedging Bank" means each Lender or an affiliate of a Lender which enters or has entered into a Hedging Agreement with a member of the Group.

"Hedging Strategy" means the hedging strategy in respect of the currency and interest rate exposure delivered pursuant to Schedule 1 (*Conditions Precedent*) of the Seventh Amendment and Restatement Agreement, or such amendment or replacement strategy as may be agreed in writing between the Borrowers and the Agent (acting on behalf of the Majority Lenders) from time to time.

"IBOR" means:

- (a) in respect of a Loan or other sum in DKK, CIBOR;
- (b) in respect of a Loan or other sum in NOK, NIBOR;
- (c) in respect of a Loan or other sum in SEK, STIBOR;
- (d) in respect of a Loan or other sum in EUR, EURIBOR; and
- (e) in respect of a Loan or other sum in USD or an Optional Currency (other than DKK, NOK, SEK and EUR), LIBOR.

"Increase Confirmation" means a confirmation substantially in the form set out in Schedule 12 (Form of Increase Confirmation) hereof.

"Increase Lender" has the meaning given to it in Clause 2.2 (The Accordion Option).

"Indebtedness" means, in relation to a person, its obligation (whether present or future, actual or contingent, as principal or guarantor) for the payment or repayment of money (whether in respect of interest, principal or otherwise) incurred in respect of:

- (a) moneys borrowed or raised;
- (b) any bond, note, loan stock, convertible, debenture or similar instrument;
- (c) any redeemable preference share which is redeemable at the option of the holder at any time prior to the second anniversary of the Final Repayment Date;
- (d) any acceptance credit, bill discounting, note purchase, factoring or documentary credit facility;
- (e) the supply of any goods or services which is more than eighty (80) days past the expiry of the period customarily allowed by the relevant supplier after the due date;
- (f) any lease, hire agreement, credit sale agreement, hire purchase agreement, conditional sale agreement or instalment sale and purchase agreement which should be treated in accordance with the Accounting Principles as a finance or capital lease or in the same way as a finance or capital lease;
- (g) any guarantee, bond, stand by letter of credit or other similar instrument issued in connection with the performance of contracts;
- (h) any interest rate or currency swap agreement or any other hedging or derivatives instrument or agreement;

- (i) any arrangement entered into primarily as a method of raising finance pursuant to which any asset sold or otherwise disposed of by that person is or may be leased to or re acquired by a Group Company (whether following the exercise of an option or otherwise); or
- (j) any guarantee, indemnity or similar insurance against financial loss given in respect of the obligation of any person falling within any of paragraphs (a) to (i) above.

"Intellectual Property Rights" means all registered patents, trade-marks, service marks, trade names, design rights, copyright, titles, rights to know-how and other intellectual property rights.

"Interest Date" means the last day of an Interest Period.

"Interest Period" means each period determined in accordance with Clause 6 (*Interest*) for the purpose of calculating interest on Loans or overdue amounts.

"Intra-Group Loans" means any and all loans and credits between (i) the Borrowers and any of their Subsidiaries, (ii) PRA Group Europe AS (formerly Aktiv Kapital AS) and any of the Borrower's Subsidiaries and (iii) PRA Group Europe Finance S.à r.l. and any of the Borrower's Subsidiaries, in each case, subject to a loan agreement being satisfactory to the Agent and any receivables created thereunder being assigned, where required in order to comply with the terms of this Agreement, pursuant to an Assignment of Intra-Group Loans. Any loans and credits between any Group Company and any member of PRA Group UK Group shall not be an Intra-Group Loan.

"Lenders" means the lenders and financial institutions listed in Schedule 2, their respective successors, any Lender Transferee and any Increase Lender.

"Lender Transferee" has the meaning given to that term in Clause 23.3.2.

"LIBOR" means, in relation to a Loan or other sum in an Optional Currency (other than DKK, EUR, NOK and SEK):

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the Interest Period of that Loan or other sum) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request quoted by the Reference Banks to leading Lenders in the London interbank market,

in both cases as of 11.00 p.m. (London time) on the second Business Day prior to the relevant Interest Period for the offering of deposits in that Optional Currency and for a period comparable to the Interest Period for that Loan or other sum and if any such rate is below zero, LIBOR will be deemed to be zero.

"Luxco" means PRA Group Europe Holding III S.à r.l (formerly SHCO 70 S.à r.l), a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, having a share capital of USD 20,000 and its registered office at 6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B187.126 which shall be an indirect holding company of the Borrower.

“Loan” means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

“Loan Portfolio” means a portfolio of claims (either loans, invoices or other debt) which have not been paid upon their maturity and/or on their due dates.

“Lone Star Equity Commitment” means Aktiv Kapital Investment AS’ existing commitment with the Lone Star Funds to invest a total amount of USD 10,000,000 in Lone Star Fund 7 and USD 25,000,000 in Lone Star Fund 8.

“Majority Lenders” means a Lender or a group of Lenders including any overdraft lenders whose Commitments comprise at least 66.66 per cent of the Total Commitments (taking no account, for the purpose of this definition, of the last sentence of Clause 15.2 (*Acceleration, etc.*)). The Majority Lenders shall consist of a minimum of two Lenders if there is more than one Lender.

“Management Agreement” means an agreement between PRA Group Europe AS (formerly Aktiv Kapital AS) and all other companies within the Group on services provided by the Borrowers or any of its Subsidiaries which is not a member of the Group to any member of the Group.

“Material Adverse Effect” means any effect which:

- (a) is materially adverse to the ability of any Obligor to comply with its payment obligations under any Finance Document; or
- (b) is materially adverse to the ability of any Obligor to comply with its obligations under Clause 14.4 (*Financial undertakings*); or
- (c) is materially adverse to the business, financial condition or assets of the Group taken as a whole; or
- (d) will result in any of the Finance Documents not being legal, valid and binding and enforceable substantially in accordance with their material terms against any party thereto.

“MBNA Portfolio” means the Loan Portfolio as presented to the Agent and Lenders on 13 May 2015, partly acquired in batches with registration codes UK 1521 and UK 1522 on the First Effective Date, and to be acquired in additional batches by PRA Group UK from MBNA Ltd. for a consideration not exceeding USD 200,000,000. The MBNA Portfolio shall be owned by a Security Portfolio Owner.

“New Increase Lender” has the meaning given to it in Clause 2.2 (The Accordion Option).

“NIBOR” means in relation to any Loan or other sum in NOK:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the Interest Period of that Loan or other sum) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request quoted by the Reference Banks to leading Lenders in the Norwegian interbank market,

in both cases at or about 12.00 a.m. (Oslo time) on the second Business Day prior to the relevant Interest Period for the offering of deposits in NOK and for a period comparable to the Interest Period of that Loan or other sum and if any such rate is below zero, NIBOR will be deemed to be zero.

“Non-Recourse Companies” means a Subsidiary of the Borrowers in which any debt financing of that Non-Recourse Company is on a standalone basis, without any Group Company committing to any financial support save as approved by the Majority Lenders.

“Obligors” means the Borrowers and the Guarantors, and **“Obligor”** shall be construed accordingly.

“Operating Budget” means, in relation to each successive 12 months period during the Security Period on an aggregate basis for the Portfolio Owners located in the same jurisdiction, a projected cash flow statement relative to each such period and on a month by month basis.

“Optional Currency” means NOK, EUR, DKK, SEK, CHF, CAD, GBP, PLN and any other currency which the Facility Agent (on behalf of all the Lenders) has confirmed to the Borrowers is acceptable.

“Original Base Currency Amount” means in relation to a Loan denominated in a currency other than USD, the USD Equivalent of the amount of that Loan or that Participation, as the case may be, calculated as at the Drawdown Date of that Loan; provided that if all or part of a Loan is not made or is repaid or prepaid, the “Original Base Currency Amount” of that Loan and of the Participations of the Lenders in that Loan, shall be correspondingly reduced.

“Original Collection Companies” means PRA Group Norge AS, PRA Group Sverige AB, PRA Suomi Oy, PRA Group Deutschland GmbH, PRA Group Österreich Inkasso GmbH and PRA Iberia, S.L.U..

“Overdraft Facility” means the facility in the maximum amount of the Overdraft Facility Commitment to be made available to the Borrowers in accordance with Clause 2.3.2.

“Overdraft Facility Commitment” means an amount of up to USD 40,000,000.

“Overdraft Facility Agreement” means an agreement between the Borrowers and a Lender for an overdraft facility agreement in the amount of the Overdraft Facility Commitment.

“Parallel Debt Agreement” means the parallel debt agreement entered into between PRA Group Europe Holding S.à r.l. as debtor and DNB Bank ASA as security agent (as amended on or about the date of the Sixth Amendment and Restatement Agreement and as further amended and/or amended and restated from time to time).

“Parent” means Portfolio Recovery Associates Inc.

“Participation” means, in relation to a Lender:

- (a) and a Loan, the part of that Loan made available or to be made available by that Lender and thereafter the part of that Loan owing to that Lender from time to time;
- (b) and the Facility, the aggregate of its Participations in each Loan.

"Party" means a party to this Agreement.

"Permitted Encumbrance" means:

- (a) any Encumbrance under the Existing Facilities (which is to be released upon first Utilisation under this Agreement);
- (b) any Encumbrance created under the Finance Documents;
- (c) a share pledge over the shares in PRA Group (UK) Limited granted in favour of MUFG Bank, Ltd, provided that any claim or recourse relating to the share pledge, any underlying claim, the enforcement or any other action in connection with such share pledge, shall be limited to the shares of PRA Group (UK) Limited;
- (d) any right of set off or lien, in each case arising by (i) operation of law in the ordinary course of business or (ii) otherwise in day-today operation of the Group, provided that no Vendor Financing may benefit from any Encumbrance including any right of set off or lien;
- (e) any Encumbrance incurred as a result of any Group Company acquiring another entity and which is due to such entity having provided security over any of its assets, provided that the debt secured with such security is Permitted Indebtedness in accordance with paragraph (g) of the definition of "Permitted Indebtedness" and that such security is discharged upon refinancing with the Borrower as the new borrower and in any event within two (2) months after the date of acquisition of such asset or business;
- (f) any Encumbrance not listed above, securing debt of any Group Company, up to a maximum aggregate amount (for the Group) of USD 3,000,000, provided that such Encumbrance shall not exist over any asset which is subject to a Security Document; and
- (g) any other Encumbrance to the extent approved by the Majority Lenders in writing.

"Permitted Indebtedness" means:

- (a) Indebtedness under any Finance Document;
- (b) Indebtedness arising under a Hedging Agreement;
- (c) for PRA Group Europe AS and the Borrowers only, any indebtedness arising under the Cash Pool Agreement between a cash pool owner and the participants as set out in the Cash Pool Agreement in accordance with Clause 14.3.6 (*Cash Pool Agreement*), from 1 April 2015 limited (on an aggregate basis for the Group) to the total amount collected from the Loan Portfolios over the preceding calendar month;
- (d) any Indebtedness under any Intra-Group Loan which has been assigned pursuant to an Assignment of Intra-Group Loans, except for Intra-Group Loans to the Omega Securitization Fund exceeding a total of USD 1,000,000;
- (e) any indebtedness under any Restructuring Intra-Group Loan;

- (f) financial support from the Borrowers to its shareholder resulting from the allocation, but not payment of dividends, subject to such receivable being fully subordinated to the Facility on terms acceptable to the Lenders and pledged in favour of the Lenders;
- (g) indebtedness pertaining to any acquired asset or business existing on the date of their acquisition, but not created in the contemplation of their acquisition, provided that any such Indebtedness has been discharged within two (2) months after the date of acquisition of such asset or business;
- (h) Vendor Financing from entities not being Affiliates of the Borrowers, on terms acceptable to the Majority Lenders;
- (i) AK Nordic Deposits provided the conditions in Clause 14.3.5(c) (*Indebtedness*) is complied with;
- (j) any funding provided by AK Nordic to its branches provided that the branches are deemed not to be separate legal entities;
- (k) Indebtedness incurred under the bond option in accordance with clause 2.3.1;
- (l) Indebtedness under the Overdraft Facility;
- (m) Indebtedness incurred pursuant to any current and future operating leases incurred in the ordinary course of the Group's business;
- (n) the amount of any Indebtedness in respect of any rental obligations for the lease of real property incurred in the ordinary course of business and on normal commercial terms;
- (o) any Shareholder Loan;
- (p) any Indebtedness not listed above in the aggregate amount (for the Group) of USD 3,000,000; and
- (q) any indebtedness resulting from FX derivative transaction entered into between any of the Borrowers and any of the Obligors (or a branch thereof) the shares of which are subject to a Share Pledge;
- (r) any other Indebtedness to the extent approved by the Majority Lenders in writing.

"Permitted Jurisdictions" means in respect of the Portfolio Owner and in relation to the predominant domicile of the debtors in a Loan Portfolio (i) Austria, Canada, Norway, Denmark, Finland, France, Germany, Spain, Sweden, Switzerland, Ireland, Italy, Portugal, Poland and the Netherlands and (ii) such other jurisdiction acceptable to the Majority Lenders provided it has received a satisfactory legal due diligence report for such eligible jurisdiction.

"Pledge of Shareholder Loans" means the first priority pledge of any Shareholder Loan in favour of the Security Agent (on behalf of the Finance Parties) on terms and in substance satisfactory to the Security Agent.

"Polish Horyzont Portfolio" means the Loan Portfolios owned by the Horyzont Securitization Fund.

“Polish Omega Portfolio” means the Loan Portfolio owned by the Omega Securitization Fund.

“Polish Portfolios” means (i) the Polish Omega Portfolio and (ii) the Polish Horyzont Portfolio (each a **“Polish Portfolio”**).

“Polish Portfolio Notes” means

- (a) the not less than 70% of the investment certificates in Omega Wierzytelności Niestandardyzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Omega Receivables Non-Standardised Securitization Closed-End Investment Fund) registered in Poland under the entry number RFI: 1038 (**“Omega Securitization Fund”**), which owns or will own the underlying Loan Portfolio in Poland purchased or to be purchased for a maximum amount up to PLN 250,000,000, to the extent such certificates are owned by a Portfolio Owner (the **“Omega Portfolio Notes”**); and
- (b) not less than 100% of the investment certificates in Horyzont Niestandardyzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Horyzont Non-Standardised Securitization Closed-End Investment Fund) registered in Poland under the entry number RFI: 1121 (**“Horyzont Securitization Fund”**), which owns or will own the underlying Loan Portfolios in Poland to the extent such certificates are owned by a Portfolio Owner (the **“Horyzont Portfolio Notes”**).

“Polish Securitization Funds” means (i) the Omega Securitization Fund and (ii) the Horyzont Securitization Fund (each a **“Polish Securitization Fund”**).

“Polish Security” means submissions to enforcement in the form of notarial deeds from the relevant security provider in respect of its Polish assets.

“Portfolio Owner” means any wholly owned direct or indirect subsidiary of the Borrowers, except for any member of PRA Group UK Group, owning Existing Loan Portfolios and/or Approved Loan Portfolios in accordance with clause 14.2.15 (*Ownership of Loan Portfolios*) which for the avoidance of doubt shall not include the Polish Securitization Funds.

“Potential Default” means an event or omission which, with the giving of any notice, the lapse of time, the determination of materiality or the satisfaction of any other condition, in each case, under Clause 15.1 (*Default*), is likely to constitute a Default.

“PRA Group UK Group” means PRA Group (UK) Limited and any of its current or future Subsidiaries.

“Quarter” means a period of three (3) months ending on a Quarter Date.

“Quarter Date” means each 31 March, 30 June, 30 September and 31 December.

“Reference Banks” means DNB Bank ASA, Nordea Bank Abp and Swedbank AB (publ).

“Refusal Period” has the meaning given to it in Clause 2.2 (The Accordion Option).

“Remaining Accordion Commitments” has the meaning given to it in Clause 2.2 (The Accordion Option).

"Reservations" means the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws generally affecting the rights of creditors, defences of set off or counterclaim and similar principles.

"Restricted Party" means a person:

- (a) that is listed on any Sanctions List (whether designated by name or by reason of being included in a class of persons);
- (b) that is domiciled, registered as located or having its main place of business in, or is incorporated under the laws of, a country which is subject to Sanctions Laws, which attach legal effect to being domiciled, registered as located in, having its main place of business in, and/or being incorporated under the laws of such country; or
- (c) that is directly or indirectly owned or controlled by a person referred to in paragraph a) and/or (b) above; or
- (d) with which any Lender is prohibited from dealing with by any Sanctions Laws.

"Restructuring" means the restructuring of the Group as set out in a memo dated 22 September 2014 from KPMG.

"Restructuring Intra-Group Loans" means:

- (a) any loan from an Obligor to another member of the Group (other than an Intra-Group Loan):
 - (i) under which no more than USD 40,000,000 is outstanding at any time; and
 - (ii) which is incurred pursuant to the Restructuring; and
 - (iii) which remains outstanding for no more than 2 (two) months; and
 - (iv) which is established and repaid within the Restructuring Period,
- (b) any other loans, not meeting the requirements set out in (a) above, between any members of the Group, which are incurred pursuant to the Restructuring, established and repaid within the Restructuring Period, and assigned on identical terms as the Assignment of Intra-Group Loans.

"Restructuring Period" means the period from the original date of this Agreement up and until 31 December 2015.

"Rollover Loan" means one or more Loans:

- (a) made or to be made on the same day that a maturing Loan is due to be repaid;
- (b) the aggregate amount of which is equal to or less than the maturing Loan; and
- (c) made or to be made to the same Borrower for the purpose of refinancing a maturing Loan.

"Sanctions Authority" means the Norwegian State, the United Nations, the European Union, the member states of the European Union, the United Kingdom of Great Britain and Northern Ireland, the United States of America, the State Secretariat for Economic Affairs SECO (Switzerland), the Monetary Authority of Singapore and the Hong Kong Monetary Authority and any authority acting on behalf of any of them in connection with Sanctions Laws.

"Sanctions Laws" means the economic or financial sanctions laws and/or regulations, trade embargoes, prohibitions, restrictive measures, decisions, executive orders or notices from regulators implemented, adapted, imposed, administered, enacted and/or enforced by any Sanctions Authority.

"Sanctions List" means any list of persons or entities published in connection with Sanctions Laws by or on behalf of any Sanctions Authority.

"Screen Rate" means the percentage rate per annum for the relevant period which appears:

- (a) in relation to EURIBOR, on Reuters screen page EURIBOR 01;
- (b) in relation to LIBOR, on Reuters screen page Libor 01, or Libor 02, as appropriate;
- (c) in relation to NIBOR, on Reuters screen page OIBOR; and
- (d) in relation to STIBOR, on Reuters screen page SIOR,

or, in each case, such percentage rate per annum for the relevant period which appears (i) on such other page as may replace such page on the Reuters service for the purpose of displaying quotations of offered rates for deposits in the relevant currency in the relevant interbank Lender or, if no such replacement page is available, (ii) on the relevant page of the Telerate screen displaying quotations of offered rates for deposits in the relevant currency in the relevant interbank Lender.

"Secured Obligations" means all obligations and liabilities of each Obligor under the Finance Documents, including (without limitation) the Borrowers' obligation to repay the Utilisations together with all unpaid interest, default interest, commissions, charges, expenses and any other derived liability whatsoever of the Obligors towards the Finance Parties in connection with the Finance Documents.

"Security Agent" means DNB Bank ASA in its capacity as Security Agent and each successor Security Agent appointed under Clause 18.12 (*Resignation and Removal*).

"Security Documents" means:

- (a) the documents listed in Schedule 10 (Security Documents) as from time to time amended and/or supplemented;
- (b) this Agreement and any Accession Agreement pursuant to which a Group Company becomes an Obligor; and

any other document the Security Agent may require a Group Company to enter into pursuant to any Finance Document, whereby security and/or guarantees are granted.

"Security Period" means the period starting on the first Drawdown Date hereunder and ending on the date on which all of the obligations and liabilities of the Group Companies under each Finance Document are discharged irrevocably in full and none of the Finance Parties has any continuing obligation in relation to the Facility or under any Finance Document.

"Security Portfolio Owners" means Portfolio Owners which are Guarantors and over which security is created and perfected pursuant to the Security Documents and which have entered into all relevant Security Documents and perfected any security contemplated thereunder (as applicable), all in a form and substance satisfactory to the Facility Agent, including a satisfactory legal opinion.

"Service Agreement" means an agreement entered into between a Portfolio Owner and a Collection Company regulating the collection made by the Collection Company for the Portfolio Owner.

"Seventh Amendment and Restatement Agreement" means the agreement for the seventh amendment and restatement of this Agreement, dated 12 March 2021.

"Shareholder Loan" means any shareholder loan to the Borrower that:

- (a) is fully subordinated to the obligations of the Group under any Finance Documents on terms satisfactory to the Agent (acting on the instruction of the Majority Lenders), subject to a separate subordination undertaking and with no right of service or repayment (each a **"Payment"**) unless the Borrower is in compliance with all provisions of this Agreement (including those set out in Clause 14 (*Undertakings*)) immediately prior to and immediately after the relevant Payment is made or with the consent in writing of the Agent (acting on the instruction of the Majority Lenders);
- (b) has a tenor of no less than three months (subject to (a) above);
- (c) has an interest rate that does not exceed LIBOR + margin of 7.5%;
- (d) is pledged in favour of, and on terms satisfactory to, the Security Agent (on behalf of the Lenders) as security for the Secured Obligations; and
- (e) can solely be utilised to acquire Approved Loan Portfolios.

The aggregate amount of the Shareholder Loans including interest shall not at any time exceed an amount equal to 40% of the Total Commitment.

"Share Pledges" means the pledges over all shares in the Portfolio Owners, Collection Companies, the Borrowers and PRA Group Europe AS (formerly Aktiv Kapital AS) in favour of the Security Agent (on behalf of the Finance Parties) on terms and in substance satisfactory to the Security Agent, subject to Clause 12.4.

"Sixth Amendment and Restatement Agreement" means the agreement for the sixth amendment and restatement of this Agreement, dated 27 March 2020.

"STIBOR" means in relation to a Loan or other sum in SEK:

- (f) the applicable Screen Rate; or

- (g) (if no Screen Rate is available for the Interest Period of that Loan or other sum) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request quoted by the Reference Banks to leading Lenders in the Stockholm interbank market,

in each case, at or about 11.00 a.m. (Stockholm time) the second Business Day prior to the relevant Interest Period for the offering of deposits in SEK and for a period comparable to the Interest Period for that Loan or other sum and if any such rate is below zero, STIBOR will be deemed to be zero.

"Subsidiary" means an entity from time to time of which a person:

- (h) has direct or indirect control; or
- (i) owns directly or indirectly more than fifty (50) per cent (votes and/or capital),

for these purposes, an entity shall be treated as being controlled by a person if that person is able to direct its affairs and/or control the composition of its board of directors or equivalent body. However, any member of PRA Group UK Group shall not be a Subsidiary.

"Swiss Guidelines" means the following guidelines issued by the Swiss Federal Tax Administration:

- (j) guideline S-02.123 in relation to interbank loans of September 22, 1986 (Merkblatt Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben) vom 22. September 1986);
- (k) guideline S-02.130.1 in relation to money market instruments and book claims of April 1999 (Merkblatt vom April 1999 betreffend Geldmarktpapiere und Buchforderungen inländischer Schuldner);
- (l) guideline S-02.122.1 in relation to bonds of April 1999 (Merkblatt Obligationen vom April 1999);
- (m) circular letter no. 34 (1.034 – V – 2011) of July 2011 in relation to deposits (Kreisschreiben Nr. 34 vom Juli 2011 betreffend Kundenguthaben); and
- (n) guideline S-02.128 in relation to syndicated credit facilities of January 2000 (Merkblatt Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen vom Januar 2000),

in each case, as issued, amended or replaced from time to time.

"Swiss Non-Qualifying Bank" means any person which does not qualify as a Swiss Qualifying Bank.

"Swiss Obligor" means any Obligor incorporated (or otherwise organised) or having its registered office in Switzerland or being resident in Switzerland for purposes of Swiss Withholding Tax.

"Swiss Qualifying Bank" means a financial institution acting on its own account which is licensed as a bank by the banking laws in force in its jurisdiction of incorporation and a

branch of a financial institution, which is licensed as a bank by the banking laws in force in the jurisdiction where such branch is situated, and which, in each case, exercises as its main purpose a true banking activity, having bank personnel, premises, communication devices of its own and authority of decision making, all in accordance with the Swiss Guidelines.

"Swiss Ten Non-Bank Rule" means the rule that the aggregate number of Lenders which are Swiss Non-Qualifying Banks must not at any time exceed 10 (ten), all in accordance with the Swiss Guidelines.

"Swiss Twenty Non-Bank Rule" means the rule that the aggregate number of creditors (including the Lenders, but excluding to the extent permissible as per Art 14a of the Swiss Withholding Tax Ordinance members of the Group), other than Swiss Qualifying Banks, of a Swiss Obligor under all outstanding borrowings (including under the Finance Documents), such as loans, facilities and private placements, made or deemed to be made by such Swiss Obligor must not at any time exceed 20 (twenty), all in accordance with the Swiss Guidelines and being understood that for purposes of this Agreement the maximum number of 10 (ten) Swiss Non-Qualifying Banks permitted under this Agreement shall be taken into account irrespective of whether or not 10 (ten) Swiss Non-Qualifying Banks do so participate at any given time.

"Swiss Withholding Tax" means any taxes imposed under the Swiss Withholding Tax Act (*Bundesgesetz über die Verrechnungssteuer*).

"Swiss Withholding Tax Act" means the Swiss Federal Act on the Withholding Tax of 13 October 1965 (*Bundesgesetz über die Verrechnungsteuer*), together with the related ordinances, regulations and guidelines, all as amended and applicable from time to time.

"Swiss Withholding Tax Ordinance" means the Swiss Federal Ordinance on the Withholding Tax of 19 December 1966 (*Verordnung über die Verrechnungssteuer*).

"Target Day" means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) is operating.

"Taxes" includes all present and future taxes, charges, imposts, duties, levies, deductions, withholdings or fees of any kind whatsoever, or any amount payable on account of or as security for any of the foregoing, by whomsoever on whomsoever and wherever imposed, levied, collected, withheld or assessed, together with any penalties, additions, fines, surcharges or interest relating thereto; and **"Tax"** and **"Taxation"** shall be construed accordingly.

"Total Commitment" means the aggregate of the Commitments being USD 750,000,000 at the date of this Agreement, subject always to any increase agreed pursuant to Clause 2.2 from time to time.

"Total Loan Portfolios" means the Existing Loan Portfolios and the Approved Loan Portfolios.

"Transaction Security" shall have the meaning ascribe to it in Clause 12.1 (*Security Documents*)

"Transfer Certificate" means a document substantially in the form set out in Schedule 6, whereby inter alia a person becomes a Party to this Agreement in relation to all existing Parties under this Agreement and all existing Parties, including any subsequent Party, becomes bound in relation to such new acceding Party.

"USD" means the lawful currency of the United States of America.

"USD Equivalent" means, in relation to an amount in an Optional Currency on the day on which the calculation falls to be made, the amount of USD which could be purchased with that amount of the Optional Currency using the Facility Agent's spot rate of exchange for the purchase of USD with the Optional Currency at or about 11.00 a.m. on the second Business Day prior to that date.

"Utilisation" means any utilisation of the Facility.

"Value Added Tax" or "VAT" means value added tax and any other tax similar or equivalent to value added tax imposed by any country whether, provided for in primary, secondary or purported legislation and whether delegated or otherwise (including, where relevant, any primary or secondary legislation promulgated by the European Community or any official body or agency of the European Community) and any similar to turnover tax replacing or introduced in addition to any of the same.

"Vendor Financing" means any Indebtedness provided by any person in connection with the purchase of an Approved Loan Portfolio or Existing Loan Portfolio, either directly or indirectly, to a Portfolio Owner.

1.2 Headings

The headings in this Agreement are for convenience only and shall be ignored in construing this Agreement.

1.3 Construction

In this Agreement (unless otherwise provided):

- (a) words importing the singular shall include the plural and vice versa;
- (b) references to Clauses and Schedules are to be construed as references to the clauses of, and schedules to, this Agreement;
- (c) references to any provision of law include any amendment of that provision or law;
- (d) references to a "person" shall be construed so as to include that person's assigns, transferees or successors in title and shall be construed as including references to an individual, firm, partnership, joint venture, company, corporation, body corporate, unincorporated body of persons or any state or any agency of a state;
- (e) accounting terms shall be construed so as to be consistent with the Accounting Principles;
- (f) references to a **"Finance Document"** or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated from time to time;

- (g) currency codes shall be interpreted as set out in ISO 4217:2008 as amended (www.iso.org); and
- (h) references to time are (unless otherwise stated) to Oslo time; and
- (i) the representations, undertakings and covenants made or given hereunder and relating to Sanctions Laws and any Restricted Parties shall not apply (i) to any Obligor or any other person which qualifies as a resident party domiciled in the Federal Republic of Germany (Inländer) within the meaning of section 2 paragraph 15 of the German Foreign Trade Act (Außenwirtschaftsgesetz) in so far as it would result in a violation of or conflict with section 7 of the German Foreign Trade Regulation (Außenwirtschaftsverordnung) and (ii) to any Obligor or person to which the Council Regulation (EC) No 2271/96 of 22 November 1996 as amended from time to time (the "EU Blocking Regulation") applies in so far as it would result in a violation of or conflict with any provision of the EU Blocking Regulation.

2. THE FACILITY

2.1 The Facility

2.1.1 Subject to the terms of this Agreement, the Lenders agree to make available to the Borrowers, during the Availability Period, a multicurrency revolving credit facility up to an aggregate principal amount not exceeding the equivalent of the Total Commitments.

2.1.2 Notwithstanding any other term of this Agreement, the aggregate of all Loans shall not, at any time, exceed the Total Commitments, which for the purpose of this calculation shall be reduced by the USD-Equivalent of any Lone Star Equity Commitment.

2.2 The Accordion Option

2.2.1 The Borrower may by giving written notice (the "**Accordion Notice**") to the Agent, and provided that no Default has occurred and is continuing, request that the Total Commitments are increased (the "**Accordion Increase**") by an amount not less than USD 50,000,000 and not exceeding USD 500,000,000 (in aggregate when calculated together with previous accordion options). The Accordion Notice shall include a suggested increase amount (the "**Accordion Increase Amount**") and Accordion Increase Date and shall be provided to the Agent not less than forty (40) Business Days, or such shorter time period as the Parties may mutually agree, prior to such suggested Accordion Increase Date.

2.2.2 The Borrower may only request an Accordion Increase during the Availability Period.

2.2.3 The existing Lenders shall, for a mutually agreed period and in no case longer period than ten (10) Business Days from the receipt of the Accordion Notice (the "**Refusal Period**"), have the right of first refusal on whether to participate in the Accordion Increase and assume increased Commitments (at the sole option of the relevant Lender), subject to credit approval. Within thirty (30) Business Days of the expiry of the Refusal Period, the existing Lenders must confirm their increased commitments. Each existing Lender willing to participate in the Accordion Increase and thereby assume increased Commitments (each an "**Existing Increase Lender**") shall, within the expiry of the Refusal Period, confirm to the Borrower and the Agent the maximum amount of increased Commitments that such Lender is willing to assume. The Accordion Increase Amount will then be allocated by the Agent to the Existing Increase Lenders on a pro-rata basis as per their participation in the Facility at the time of the Accordion Notice.

- 2.2.4 If the aggregate amount of the increased Commitments allocated on a pro-rata basis pursuant to paragraph 2.2.3 above is less than the Accordion Increase Amount, the Agent shall offer to allocate the remaining Accordion commitments to the Existing Increase Lenders based on the maximum amount of increased Commitments that each such Existing Increase Lender indicated in its confirmation, and the provisions of paragraph 2.2.3 above shall apply mutatis mutandis, except that the participation of the Existing Increase Lenders in the remaining Accordion commitments does not have to be on a pro rata basis as per their participation in the Facility at the time of the Accordion Notice. The final allocation shall in such case be subject to the prior consent of the Borrower (not to be unreasonably withheld).
- 2.2.5 If, after completing the procedures set out in paragraphs 2.2.1 to 2.2.4 above, the aggregate amount of the increased Commitments to be assumed by the Existing Increase Lenders is less than the Accordion Increase Amount (the difference being the "**Remaining Accordion Commitments**"), the Remaining Accordion Commitments may be assumed by one or more of the banks, financial institutions, trusts, funds, asset managers or other entities identified in the white list set out in Schedule 13 (the "**New Increase Lender White List**") (each a "**New Increase Lender**" and together with the Existing Increase Lenders, the "**Increase Lenders**") selected by the Borrower in consultation with the Mandated Lead Arrangers (each of which shall be acceptable to the Lenders). Notwithstanding the above, parties listed in the New Increase Lender White List, as amended by agreement among the Parties from time to time, shall be deemed acceptable to the Lenders. The allocation of Remaining Accordion Commitments to any New Increase Lender shall be subject to the prior consent of the Borrower.
- 2.2.6 Any New Increase Lender must participate with at least USD 100 million. If the Remaining Accordion Commitments are less than USD 100 million, then the New Increase Lender must still commit to participate with USD 100 million by offering to purchase from the Existing Lenders on a pro rata basis a share of their Commitments, at par value, in an amount equal to the difference between USD 100 million and the Remaining Accordion Commitments. The New Increase Lender shall assume all of the obligations corresponding to the relevant Commitment as if it was an original Lender under the Agreement.
- 2.2.7 Subject to receipt of the Increase Confirmation referred to in Clause 2.2.8, the Borrower shall no less than five (5) Business Days prior to the suggested Accordion Increase Date notify the Agent of the final allocation of the Remaining Accordion Commitments between the New Increase Lenders.
- 2.2.8 Each Increase Lender shall, no later than ten (10) Business Days prior to the suggested Accordion Increase Date, provide the Agent with (i) a duly executed Increase Confirmation and (ii), in relation to a New Increase Lender which is not a Lender immediately prior to the increase, the "know your customer" documents in accordance with paragraph 2.2.15(c) below.
- 2.2.9 The Borrower and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as the Borrower and the Increase Lender would have assumed and/or acquired had the Increase Lender been an original Lender.
- 2.2.10 Each Increase Lender shall become a Party as a "Lender" and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties would have assumed and/or acquired had the Increase Lender been an original Lender.

- 2.2.11 The Accordion Increase shall be made available to the Borrower on the same terms and conditions as the Facility and all references to the Facility shall be deemed to include the Accordion Increase.
- 2.2.12 The Commitments of the other Lenders shall continue in full force and effect notwithstanding the increase of the Total Commitments pursuant to an Accordion Increase.
- 2.2.13 The secured amount under the Security Documents shall be increased by the Accordion Increase Amount.
- 2.2.14 The increase in the Total Commitments shall take effect on the date on which the conditions set out in paragraph 2.2.15 below and in the Increase Confirmation are satisfied.
- 2.2.15 Any increase in the Total Commitments under this Clause 2.2 will only be effective at the date on which the following conditions are satisfied in full:
- (a) all relevant conditions precedent reasonably requested by the Agent are satisfied;
 - (b) the receipt by the Agent of an Increase Confirmation from each Increase Lender;
 - (c) in relation to a New Increase Lender, the performance by the Lenders of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assumption of the increased Commitments by that New Increase Lender, the completion of which the Agent shall promptly notify to the Borrower and the New Increase Lender; and
 - (d) the confirmation from the Borrower that no Default has occurred and is continuing or would arise as a result of the Accordion Increase,
- such date being an "**Accordion Increase Date**".
- 2.2.16 As a condition subsequent, within the term of thirty 30 Business Days following the Accordion Increase Date, at the request of the Agent, the Borrowers shall procure:
- (A) (i) that the Spanish law Share Pledges (including the pledge over the quotas in PRA Iberia, S.L.U. granted by PRA Group Europe AS (as the surviving entity of the merger between PRA Group Europe AS and PRA Group Europe Financial Services AS) originally dated 16 December 2014 as amended and ratified from time to time), or any other Spanish law pledges or *in rem* rights granted to secure the obligations of the Borrowers under this Agreement, are duly ratified and extended to the obligations arising from any Accordion Increase; and (ii) that the ratification and extension of such Spanish law pledges or *in rem* rights and the relevant Increase Confirmation (or any amendment and restatement agreement entered into as a consequence of an Accordion Increase) are notarised in Spain by way of notarial deeds.
 - (B) (i) that the Polish law Share Pledges (including all pledges over the shares in PRA Group Polska sp. z o.o. and PRA Group Polska Holding sp. z o.o. for so long as such entities remain Obligors) or any other Polish law Share Pledges (each as amended from time to time) granted to secure the

Secured Obligations under this Agreement and all existing Polish statements on voluntary submission to enforcement, are extended to secure any Increase Lender and the obligations arising from any Accordion Increase; and (ii) that the relevant Obligors will file motions for registration of any such amendments to the Polish law Share Pledges.

Failure by the Borrowers to meet the deadline set in this Clause 2.2.16 shall not be capable of remedy.

- 2.2.17 Each Increase Lender, by executing the Increase Confirmation, confirms (for the avoidance of doubt) that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase becomes effective.
- 2.2.18 Unless the Agent otherwise agrees or the increased Commitment is assumed by an existing Lender, the Borrower shall, on the date upon which the increase takes effect, promptly on demand pay the Agent the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with any increase in Commitments under this Clause 2.2.
- 2.2.19 The provisions of Clause 23.10 (Limitation of responsibility of Existing Lenders) shall apply to this Clause 2.2 in relation to an Increase Lender as if set out herein in their entirety, provided that references in that Clause to:
- (a) an "Existing Lender" shall be construed as references to all the Lenders immediately prior to the relevant increase;
 - (b) the "New Lender" shall be construed as references to that "Increase Lender"; and
 - (c) a "re-transfer" shall be construed as references to a "transfer".

2.3 Additional financing

2.3.1 Bond option

Subject to the Borrowers being in compliance with the Agreement before and after disbursement of any bond proceeds, the Borrowers have the option to issue a bond loan in the amount up to USD 200,000,000 subject to such bonds being (i) contractually subordinated to the amounts outstanding at any time under the Finance Documents, and (ii) issued on terms acceptable to the Lenders.

- 2.3.2 The Borrowers may by a written request and by providing acceptable documentation to the Agent (with no less favourable terms as set out in this Agreement) request the Overdraft Facility, such Overdraft Facility being secured pursuant to the Security Documents.

2.4 Obligations several

- 2.4.1 The obligations of each Finance Party under this Agreement are several.
- 2.4.2 The failure of a Finance Party to carry out its obligations under this Agreement shall not relieve or effect any other Party of any of its obligations under this Agreement.
- 2.4.3 None of the Finance Parties shall be responsible for the obligations of any other Party under this Agreement.

2.5 Rights several

- 2.5.1 The rights of the Finance Parties under this Agreement are several. All amounts due, and obligations owed, to each of them are separate and independent debts or, as the case may be, obligations.
- 2.5.2 A Finance Party may, except as otherwise stated in this Agreement, separately enforce its rights under this Agreement.

2.6 Obligor's Agent

- 2.6.1 Each Obligor (other than the Borrowers), by its execution of this Agreement or an Accession Agreement, hereby irrevocably authorises the Borrowers to act on its behalf as its agent in relation to the Finance Documents and authorises and appoints the Borrowers, as its attorney, on its behalf, to supply all information concerning itself, its financial condition and otherwise to the Lenders as contemplated under this Agreement and to give all notices and instructions to be given by such Obligor under the Finance Documents, to execute, on its behalf, any Finance Document and to enter into any agreement and amendment in connection with the Finance Documents (however fundamental and notwithstanding any increase in obligations of or other effect on an Obligor and including, for the avoidance of doubt, any further increase of the total commitments under this Agreement as set out in Clause 2.3) including confirmation of guarantee obligations in connection with any amendment or consent in relation to the Facility, without further reference to or the consent of such Obligor and each Obligor to be obliged to confirm such authority in writing upon the request of the Facility Agent. The power hereby conferred is a general power of attorney and the Obligor hereby ratifies and confirms and agrees to ratify and confirm any instrument, act or thing which such attorney may execute or do and to grant as many private and public document (including certificates and notarial powers of attorney duly apostilled) and comply with as many formalities as may be necessary or convenient for this power to be effective under each relevant jurisdiction. In relation to the power referred to herein, the exercise by the Borrowers of such power shall be conclusive evidence of its right to exercise the same.
- 2.6.2 Each Obligor (other than the Borrowers), hereby appoints the Borrowers as its agent for service and hereby authorises each Finance Party to give any notice, demand or other communication to be given to or served on such Obligor pursuant to the Finance Documents to Borrowers on its behalf, and in each such case such Obligor will be bound thereby (and shall be deemed to have notice thereof) as though such Obligor itself had been given such notice and instructions, executed such agreement or received any such notice, demand or other communication.
- 2.6.3 Every act, omission, agreement, undertaking, waiver, notice or other communication given or made by Borrowers under this Agreement, or in connection with this Agreement (whether or not known to any Obligor) shall be binding for all purposes on all other Obligors as if the other Obligors had expressly made, given or concurred with the same. In the event of any conflict between any notice or other communication of Borrowers and any other Obligor, the choice of Borrowers shall prevail.
- 2.6.4 Each Obligor incorporated in Germany releases, to the extent possible, the Borrowers from any restrictions of self-dealing and multiple representation under any applicable law (including, but not limited to, section 181 of the German Civil Code (Bürgerliches Gesetzbuch)) for the purposes of this Clause 2.6

3. PURPOSE

3.1 Purposes of the Facility

The Borrowers shall apply all amounts borrowed by it under the Facility to;

- (a) refinance the Existing Facilities;
- (b) financing of Approved Loan Portfolios; and
- (c) general corporate purposes (excluding payment of dividends and other distributions to any company outside the Group (other than as otherwise expressly permitted by this Agreement) or any other indirect refinancing of acquisition debt).

3.2 Restrictions

The Borrowers undertakes that it will only utilise the Facility as permitted by Clause 3.1 and no proceeds of any amounts borrowed under any Finance Documents shall be made available, directly or indirectly, to or for the benefit of a Restricted Party nor shall they otherwise be applied in a manner or for a purpose prohibited by Sanctions Laws.

3.3 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS PRECEDENT

4.1 Documentary conditions precedent

- (a) The Borrowers may not deliver a Utilisation Request unless the Agent has received all of the documents and other evidence listed in Schedule 3 (*Conditions Precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrowers and the Lenders promptly upon being so satisfied.
- (b) Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.2 Further conditions precedent

4.2.1 The obligation of each Lender to make available its Participation in a Loan is subject to the conditions that on the date on which the relevant Drawdown Notice is given and on the relevant Drawdown Date, or Issue Date:

- (a) the representations and warranties in Clause 13 (*Representations and warranties*) to be repeated pursuant to Clause 13.1.24 (*Repetition*) on those dates are correct; and
- (b) in the case of a Loan, no Default has occurred and is continuing or would occur on the making of the Loan.
- (c) In the case of a Loan other than a Rollover Loan, the Borrowers providing a Compliance Certificate (no older than 3 weeks) evidencing the compliance with the financial covenants and ratios pursuant to this Agreement pro-forma after the Drawdown of the Loan.

- 4.2.2 The Lenders will only be obliged to comply with Clause 5.7 (*Change of Currency*) if, on the first day of an Interest Period, no Default is continuing or would result from the change of currency and the Repeating Representations to be made by each Obligor are true in all material respects.

5. UTILISATIONS

5.1 Drawdown under the Facility

- 5.1.1 Subject to the other terms of this Agreement, any Loans shall be made to the Borrowers at any time during the Availability Period when requested by the Borrowers by means of a Drawdown Notice in accordance with Clause 5.2 (*Drawdown Notice*).

- 5.1.2 The following limitations apply to the Loans:

- (a) the Drawdown Date of a Loan shall be a Business Day during the Availability Period in one drawing for each currency;
- (b) the principal amount of a Loan denominated in USD or an Optional Currency shall be:
 - (i) a minimum Original Base Currency Amount of USD 1,000,000 and an integral multiple of USD 500,000; and
 - (ii) in no case more than the amount of the Total Commitments;
- (c) no Loan shall be made if the making of that Loan would result in the aggregate of the Original Base Currency Amount of all Loans exceeding the Total Commitment and for the purpose of this calculation any remaining commitment under the Lone Star Equity Commitment shall reduce the amount of Total Commitment with its USD-Equivalent;
- (d) no Loan shall be made as long as prepayments are mandatory according to Clause 7.2;
- (e) no more than twenty (20) Loans may be outstanding at any one time; and
- (f) in the case of a Loan denominated in an Optional Currency, the requirements of Clause 5.6 (*No Optional Currency*) are met.

5.2 Drawdown Notice

- 5.2.1 Whenever the Borrowers wish to draw down a Loan, they shall give a duly completed Drawdown Notice to the Facility Agent to be received not later than 10.00 a.m. on the third Business Day before the relevant Drawdown Date (or such later time as the Lenders may agree).

- 5.2.2 A Drawdown Notice shall be irrevocable and the Borrowers shall be obliged to borrow in accordance with its terms.

- 5.2.3 The Facility Agent shall promptly notify each Lender of the details of each Drawdown Notice received by it.

5.3 Participations

Subject to the terms of this Agreement, each Lender acting through its lending office shall make available to the Facility Agent on the Drawdown Date for a Loan an amount equal to its Participation in the amount specified in the Drawdown Notice for that Loan.

5.4 Availability

The Borrowers may not request a Loan to be denominated in an Optional Currency unless the Facility Agent has confirmed to the Borrowers that the Optional Currency is available for drawing under the relevant Facility.

5.5 Notification to Lenders

The Facility Agent shall promptly notify each Lender of the currency and the Original Base Currency Amount of each Loan.

5.6 No Optional Currency

If, no later than 9.00 a.m. on the second Business Day before the first day of an Interest Period in relation to a Loan which is proposed to be denominated in an Optional Currency, a Lender notifies the Facility Agent that:

- (a) in that Lender's reasonable opinion, it is impracticable for that Lender to fund its Participation in that Loan in the proposed Optional Currency in the ordinary course of business in the relevant interbank market; or
- (b) Central Bank or other governmental authorisation in the country of the proposed Optional Currency is required to permit its use by that Lender for the making of that Loan and the authorisation has not been obtained or is not in full force and effect or is subject to unacceptable conditions; or
- (c) the use of the proposed Optional Currency is restricted or prohibited by any request, directive, regulation or guideline of any governmental body, agency, department or regulatory or other authority (whether or not having the force of law) in accordance with which that Lender is accustomed to act,

the Facility Agent shall notify the Borrowers and the Lenders by 10.00 a.m. on the same day. In this event, the Borrowers and the Lenders may agree that the Loan shall not be made, provided that, in the absence of such agreement by 11.00 a.m. on the same day, the Loan shall be denominated in USD during that Interest Period.

5.7 Change of Currency

A Loan which is denominated in a currency may not be denominated in different currencies.

6. INTEREST

6.1 Interest rate

Interest shall accrue on each Loan from and including the relevant Drawdown Date to but excluding the date the Loan is repaid at the rate determined by the Facility Agent to be the aggregate of:

- (a) the Applicable Margin; and
- (b) IBOR.

6.2 Interest Periods

- 6.2.1 Interest payable on each Loan shall be calculated by reference to Interest Periods of one (1), two (2), three (3) or six (6) months duration (or such other Interest Period as the Facility Agent, acting on the instructions of all the Lenders, may agree) as selected by the Borrowers in accordance with this Clause 6.2. The Borrowers may not select more than ten (10) Interest Periods with a tenor of one (1) Month during any calendar year. If an Interest Period would extend beyond six (6) months then interest shall be payable every six (6) months. The Facility Agent may require shorter Interest Periods to be elected if this would facilitate the syndication of the Facility.
- 6.2.2 The Borrowers shall select an Interest Period for a Loan in the relevant Drawdown Notice or (in the case of any subsequent Interest Period for that Loan) by notice received by the Facility Agent no later than three (3) Business Days before the commencement of that Interest Period.
- 6.2.3 If the Borrowers fail to select an Interest Period for a Loan in accordance with Clause 6.2.2, that Interest Period shall, subject to the other provisions of this Clause 6, be three (3) months.
- 6.2.4 If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall instead end on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- 6.2.5 If an Interest Period begins on the last Business Day in a calendar month or on a Business Day for which there is no numerically corresponding day in the calendar month in which that Interest Period is to end, it shall end on the last Business Day in that later calendar month.
- 6.2.6 If an Interest Period for a Loan would otherwise extend beyond the Final Repayment Date under which such Loan is made, it shall be shortened so that it ends on the Final Repayment Date.

6.3 Default interest

- 6.3.1 If an Obligor fails to pay any amount payable under any Finance Document on the due date, it shall pay default interest on the overdue amount from the due date to the date of actual payment calculated by reference to successive Interest Periods (each of such duration as the Facility Agent may select and the first beginning on the relevant due date) at the rate per annum being the aggregate of (a) two (2) per cent per annum, (b) the Applicable Margin, and (c) the higher of either (i) IBOR, or (ii) the Lender's funding costs. Default interest is payable on demand.
- 6.3.2 So long as the overdue amount remains unpaid, the default interest rate shall be recalculated in accordance with the provisions of this Clause 6.3 on the last day of each such Interest Period and any unpaid interest shall be compounded at the end of each Interest Period.

6.4 Calculation and payment of interest

- 6.4.1 At the beginning of each Interest Period, subject to clause 6.5 (*Determination of Applicable Margin*), the Facility Agent shall notify the Lenders and the relevant Obligor of the duration of the Interest Period and the rate and amount of interest payable for the Interest Period (but in the case of any default interest calculated under Clause 6.3 (*Default interest*), any such notification need not be made more frequently than weekly). Each notification shall set out in reasonable detail the basis of computation of the amount of interest payable.

6.4.2 Interest due from an Obligor under this Agreement shall:

- (a) accrue from day to day at the rate calculated under this Clause 6;
- (b) except as otherwise provided in this Agreement, be paid by the relevant Obligor to the Facility Agent (for the account of the Lenders or the Facility Agent, as the case may be) in arrears on the last day of each Interest Period, provided that for any Interest Period which is longer than three (3) months, the relevant Obligor shall also pay interest every (three) 3 months in arrears during that Interest Period; and
- (c) be calculated on the basis of the actual number of days elapsed and a 360 day year (a 365 day year for GBP) or, if different, such number of days as is market practice.

6.5 Determination of Applicable Margin

6.5.1 Any adjustment of the Applicable Margin to be effective within five (5) Business Days after the delivery of the Compliance Certificate evidencing the ERC Ratio.

6.5.2 Upon the date of utilisation of the Facility for the financing of the Belfast Portfolio the Applicable Margin shall be recalculated with reference to a Compliance Certificate not more than six weeks old delivered on that date, adjusted on a pro-forma basis to take into account the acquisition of the Belfast Portfolio. Such recalculated Applicable Margin shall apply until the next determination of Applicable Margin pursuant to clause 6.2.1 above.

6.5.3 In the event that the Borrower fails to deliver a Compliance Certificate on time the Interest shall: (i) when the overdue Compliance Certificate is delivered, be recalculated for the period from the latest date on which the Compliance Certificate should have been delivered, based on the Applicable Margin determined with reference to that Compliance Certificate, or (ii) if no Compliance Certificate is delivered before the next Compliance Certificate is due for delivery, be recalculated based on the highest Applicable Margin, for that period. To the extent any Interest has already been paid by the Borrower for any part of the period for which Interest is recalculated, the Borrower shall not be entitled to receive any reimbursement of Interest paid in excess of the recalculated interest.

6.6 Minimum interest

6.6.1 When entering into this Agreement, the Parties have assumed that the interest payable under this Agreement is not and will not become subject to any tax deduction on account of Swiss Withholding Tax.

6.6.2 Notwithstanding Clause 6.6.1, if a tax deduction is required by law in respect of any sum payable by a Swiss Obligor under a Finance Document and should it be unlawful for such Swiss Obligor to comply with Clauses 10.2 (*Taxes*) and 19.9 (*Grossing-up*) for any reason (where this would otherwise be required by the terms of Clauses 10.2 (*Taxes*) and 19.9 (*Grossing-up*)) then:

- (a) the applicable interest rate in relation to that payment shall be the rate which would have applied to that payment as provided for by Clause 6.1 divided by 1 minus the rate at which the relevant tax deduction is required to be made under Swiss domestic tax law and/or applicable double taxation treaties (where the rate at which the relevant tax deduction is required to be made is for this purpose expressed as a fraction of 1); and

(b) that Swiss Obligor shall:

- (i) pay the relevant sum at the adjusted rate in accordance with paragraph (a) above;
- (ii) make the tax deduction on the amount so recalculated; and

all references to a rate of interest under the Finance Documents shall be construed accordingly.

6.6.3 To the extent that a sum payable by a Swiss Obligor under a Finance Document becomes subject to Swiss Withholding Tax, each relevant Lender and each relevant Swiss Obligor shall promptly cooperate in completing any procedural formalities (including submitting forms and documents required by the appropriate tax authority) to the extent possible and necessary (i) for the Swiss Obligor to obtain authorisation to make such payments without them being subject to Swiss Withholding Tax and (ii) to ensure that any person which is entitled to a full or partial refund under any applicable double taxation treaty is so refunded.

6.7 Facility Agent's determination

The determination by the Facility Agent of any interest or commission payable under this Clause 6 shall be conclusive and binding on the Obligors except for any manifest error.

7. REDUCTION, REPAYMENT, PREPAYMENT AND CANCELLATION

7.1 Repayment of Loans

7.1.1 Subject to Clause 7.1.3 and 7.1.4, each Loan shall be repaid in full on the Interest Date of the Interest Period relating to that Loan.

7.1.2 Subject to the terms of this Agreement, any amounts repaid under Clause 7.1.1 may be re-borrowed.

7.1.3 If all or part of a Loan is to be repaid from the proceeds of all or part of a new Loan to be made to the Borrowers then, as between each Lender and the Borrowers, the amount to be repaid by the Borrowers shall be set off against the amount to be advanced by that Lender in relation to the new Loan and the party to whom the smaller amount is to be paid shall pay to the other party a sum equal to the difference between the two amounts (in the currency of the outstanding Loan for the first Interest Period).

7.1.4 Subject to any terms of this Agreement expressly providing otherwise, the Borrowers may not prepay any Loan before the end of its Interest Period. On the Final Repayment Date the Borrowers shall repay any Loan then outstanding under this Agreement in full, together with all other sums due and outstanding under the Finance Documents at such date (if any).

7.2 Mandatory prepayment on Change of Control

7.2.1 Unless otherwise agreed by the Facility Agent (acting on the instructions of the Majority Lenders), ninety (90) days from the date a Change of Control occurs (a "**Prepayment Date**"):

- (a) all Loans together with all incurred interest and all other amounts owing to under this Agreement shall be repaid in full; and
- (b) the Lenders' obligations shall be terminated and each Lender's Commitments shall be cancelled.

7.2.2 For the purposes of this Agreement a “**Change of Control**” will occur if the Parent ceases to control directly or indirectly 2/3 of the voting rights of the Borrowers.

7.2.3 The Borrowers shall give the Facility Agent prompt notice when it becomes aware of a Change of Control or a proposed Change of Control.

7.3 Mandatory prepayment – Disposal

Upon a Disposal of whole or part of an Existing Loan Portfolio or Approved Loan Portfolio (directly or indirectly through a sale of a Portfolio Owner or otherwise) the Borrowers shall no later than five (5) Business Days prior to such Disposal document to the Facility Agent's satisfaction that the Group will be in compliance with the ERC Ratio immediately after such Disposal.

7.4 Application of prepayments

Each mandatory prepayment shall be applied in pro rata in order of maturity.

7.5 Voluntary prepayment of Loans

7.5.1 The Borrowers may, by giving the Facility Agent not less than five (5) Business Days' prior notice, prepay the whole or part (but if in part, in a minimum amount of USD 1,000,000 and an integral multiple of USD 1,000,000 or such whole amount as, the Facility Agent may agree) of any Loan.

7.5.2 Any notice of prepayment shall be irrevocable, shall specify the date on which the prepayment is to be made and the amount of the prepayment, and shall oblige the Borrowers to make that prepayment. The Facility Agent shall promptly notify the Lenders of receipt of any such notice.

7.6 Prepayment and breakage costs

7.6.1 Any prepayment shall be made together with accrued interest on the amount prepaid and any amounts payable under Clause 24.1 (Breakage costs indemnity).

7.7 Voluntary cancellation of Facility

7.7.1 The Borrowers may, by giving the Facility Agent not less than five (5) days' prior notice, cancel all or part of the Total Commitment (but if in part, in a minimum amount of USD 1,000,000 and an integral multiple of USD 1,000,000).

7.7.2 Any notice of cancellation shall be irrevocable and shall specify the date on which the cancellation shall take effect and the amount of the cancellation. The Facility Agent shall promptly notify the Lenders of receipt of any such notice.

7.7.3 The Borrowers may not utilise any part of the Facility which has been cancelled. Any cancellation of the Facility shall reduce each Lender's Commitment rateably and shall reduce the Facility by the aggregate amount so cancelled.

8. CHANGES IN CIRCUMSTANCES

8.1 Illegality

8.1.1 If it is or becomes illegal (including under any Sanctions Law) for a Lender to maintain all or part of its Commitment or to continue to make available or fund or maintain its Participation in all or any part of the Facility, then:

- (a) that Lender shall notify the Facility Agent and Borrowers;
- (b) the Commitment of that Lender shall be cancelled immediately; and
- (c) the Obligors shall prepay to the Facility Agent (for the account of that Lender) that Lender's Participation in all Loans (together with accrued interest on the amount prepaid and all other amounts owing to that Lender under this Agreement) within fifteen (15) Business Days of demand by that Lender (or, if permitted by the relevant law, on the last day of the Interest Period of the relevant Loans);

Any such prepayment shall be subject to Clause 24.1 (*Breakage costs indemnity*).

8.2 Increased Costs

8.2.1 If a Change occurs which causes an Increased Cost (as defined in Clause 8.2.3) to a Lender (or any company of which that Lender is a Subsidiary) then each Obligor shall pay (as additional interest) to the Facility Agent (for the account of that Lender) within ten (10) Business Days of demand all amounts which that Lender certifies to be necessary to compensate that Lender (or any company of which that Lender is a Subsidiary) for the Increased Cost.

8.2.2 Any demand made under Clause 8.2.1 shall be made by the relevant Lender through the Facility Agent and shall set out in reasonable detail so far as is practicable the basis of computation of the Increased Cost.

8.2.3 In this Clause 8.2:

"Increased Cost" means any cost to, or reduction in the amount payable to, or reduction in the return on capital or regulatory capital achieved by, a Lender (or any company of which that Lender is a Subsidiary) to the extent that it arises, directly or indirectly, as a result of the Change and is attributable to the Commitment of that Lender or its Participation in the Facility or the funding of that Lender's Participation in any Loan including but not limited to:

- (a) any Tax Liability (other than Tax on Overall Net Income) incurred by that Lender;
- (b) any changes in the basis or timing of Taxation of that Lender in relation to its Commitment or Participation in the Facility or to the funding of that Lender's Participation in any Loan;
- (c) the cost to that Lender (or any company of which that Lender is a Subsidiary) of complying with, or the reduction in the amount payable to or reduction in the return on capital or regulatory capital achieved by that Lender (or any company of which that Lender is a Subsidiary) as a result of complying with, any capital adequacy or similar requirements howsoever arising, including as a result of an increase in the amount of capital to be allocated to the Facility or of a change to the weighting of that Lender's Commitment or Participation in that Facility;
- (d) the cost to that Lender of complying with any reserve, cash ratio, special deposit or liquidity requirements (or any other similar requirements); and
- (e) the amount of any fees payable by that Lender to any supervisory or regulatory authority.

"Tax Liability" means *inter alia*, in respect of any person:

- (a) any liability or any increase in the liability of that person to make any payment of or in respect of Tax;
- (b) the loss of any relief, allowance, deduction or credit in respect of Tax which would otherwise have been available to that person;
- (c) the setting off against income, profits or gains or against any Tax liability of any relief, allowance, deduction or credit in respect of Tax which would otherwise have been available to that person; and
- (d) the loss or setting off against any Tax liability of a right to repayment of Tax which would otherwise have been available to that person.

For the purposes of this definition of "Tax Liability", any question of whether or not any relief, allowance, deduction, credit or right to repayment of Tax has been lost or set off, and if so, the date on which that loss or set off took place, shall be conclusively determined by the relevant person.

"Tax on Overall Net Income" means, in relation to a Lender, Tax (other than Tax deducted or withheld from any payment) imposed on the net profits of that Lender or its lending office by the jurisdiction in which its lending office or its head office is situated.

8.2.4 The Obligors shall not be obliged to make a payment in respect of an Increased Cost under this Clause 8.2 if and to the extent that the Increased Cost has been compensated for by the operation of Clause 19.9 (*Grossing-up*) or the cost is attributable to a FATCA Deduction required to be made by an Obligor or a Finance Party.

8.2.5 If the Obligors are required to pay any amount to a Lender under this Clause 8.2, then, without prejudice to that obligation and so long as the circumstances giving rise to the relevant Increased Cost are continuing and subject to the Borrowers giving the Facility Agent and that Lender not less than 10 days' prior notice (which shall be irrevocable), the Obligors may prepay all, but not part, of that Lender's Participation in the Loan together with accrued interest on the amount prepaid. Any such prepayment shall be subject to Clause 24.1 (*Breakage costs indemnity*). On any such prepayment the Commitment of the relevant Lender shall be automatically cancelled.

8.3 Market disruption

8.3.1 If, in relation to a Loan and a particular Interest Period:

- (a) at or about noon on the second Business Days prior to the relevant Interest Period, the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Facility Agent to determine the relevant IBOR for the relevant currency and Interest Period; or
- (b) the Facility Agent has been notified by a group of Lenders, who together exceed 40 per cent of the Total Commitments, that in their opinion:

- (i) matching deposits would not be available to them in the relevant interbank market in the ordinary course of business to fund their Participations in that Loan for that Interest Period; or
- (ii) the cost to them of obtaining matching deposits in the relevant interbank market would be in excess of IBOR for that Interest Period,

the Facility Agent shall promptly notify the Borrowers and the Lenders of that event (such notice being a “**Market Disruption Notice**”).

8.3.2 If a Market Disruption Notice applies to a proposed Loan, that Loan shall not be made. Instead, the Facility Agent and the Borrowers shall immediately enter into negotiations for a period of not more than 30 days with a view to agreeing a substitute basis for calculating the interest rate for the Loan or for funding the Loan. Any substitute basis agreed by the Facility Agent (with the consent of all the Lenders) and the Borrowers shall take effect in accordance with its terms and be binding on all the Parties.

8.3.3 If a Market Disruption Notice applies to an outstanding Loan then:

- (a) the Facility Agent and the Borrowers shall immediately enter into negotiations for a period of not more than 30 days with a view to agreeing a substitute basis for calculating the rate of interest for the Loan or for funding the Loan;
- (b) any substitute basis agreed under Clause 8.3.3(a) by the Facility Agent (with the consent of all the Lenders) and the Borrowers shall take effect in accordance with its terms and be binding on all the Parties;
- (c) if no substitute basis is agreed under Clause 8.3.3(a), then, subject to Clause 8.3.4, each Lender shall (through the Facility Agent) certify before the last day of the Interest Period to which the Market Disruption Notice relates a substitute basis for maintaining its Participation in the Loan which shall reflect the cost to the Lender of funding its Participation in the Loan from whatever sources it selects plus the Applicable Margin; and
- (d) each substitute basis so certified shall be binding on the relevant Obligor and the certifying Lender and treated as part of this Agreement.

8.3.4 If no substitute basis is agreed under Clause 8.3.3(a), then, so long as the circumstances giving rise to the Market Disruption Notice continue and subject to the Borrowers giving the Facility Agent and the Lenders not less than ten (10) days' prior notice (which shall be irrevocable), the relevant Obligor may prepay the Loan to which the Market Disruption Notice applies together with accrued interest on the amount prepaid. Any such prepayment shall be subject to Clause 24.1 (*Breakage costs indemnity*).

8.4 Mitigation

8.4.1 If any circumstances arise in respect of any Lender which would, or upon the giving of notice would, result in the operation of Clause 19.9 (*Grossing-up*), 6.6 (*Minimum interest*), 8.1 (*Illegality*), 8.2 (*Increased Costs*) or 8.3 (*Market disruption*) to the detriment of any Obligor, then that Lender shall:

- (a) promptly upon becoming aware of those circumstances and their results, notify the Facility Agent and the Borrowers; and
- (b) in consultation with the Facility Agent and the Borrowers, take all such steps as are reasonably open to it to mitigate the effects of those circumstances (including changing its lending office in a manner which will avoid the circumstances in question and on terms acceptable to the Facility Agent, the Borrowers and that Lender),

provided that no Lender shall be obliged to take any steps which in its opinion would be likely to have an adverse effect on its business or financial condition or the management of its Tax affairs or cause it to incur any material costs or expenses without being reimbursed therefor.

8.4.2 Nothing in this Clause 8.4 shall limit, reduce, affect or otherwise qualify the rights of any Lender or the obligations of the Obligors under Clauses 19.9 (*Grossing-up*), 6.6 (*Minimum interest*), 8.1 (*Illegality*), 8.2 (*Increased Costs*) or 8.3 (*Market disruption*).

8.5 Certificates

The certificate or notification of the Facility Agent or, as the case may be, the relevant Lender as to any of the matters referred to in this Clause 8 shall be in reasonable detail and shall be conclusive and binding on the Obligors except for any manifest error.

9. FEES AND EXPENSES

9.1 Expenses

The Borrowers shall on demand (including a specification) pay all evidenced expenses properly incurred (including legal fees, valuation and accounting fees and other out-of-pocket expenses, but only to the extent the same are reasonable in amount), and any VAT (direct or by reverse charge) on those expenses incurred:

- (a) by the Bookrunners in connection with the negotiation, preparation, syndication and execution of the Finance Documents and the other documents contemplated by the Finance Documents;
- (b) by an Agent in connection with the taking of any security in accordance with Clause 11.10.5(a) (*Security*);
- (c) by an Agent or the Lenders in connection with the granting of any release, waiver or consent or in connection with any amendment or variation of any Finance Document;
- (d) by an Agent or the Lenders in enforcing, perfecting, protecting or preserving (or attempting so to do) any of their rights, or in suing for or recovering any sum due from an Obligor or any other person under any Finance Document, or in investigating any Default or Potential Default;
- (e) by an Agent in connection with any cost of engaging any person in connection with any due diligence process to be performed pursuant to the terms of this Agreement;
- (f) any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; and
- (g) by an Agent in connection with any cost of engaging an Auditor pursuant to the terms of this Agreement.

9.2 Fees

The Borrowers shall pay the fees as set out in the Fee Letter(s).

9.3 Indemnity payments

Where in any Finance Document an Obligor has an obligation to indemnify or reimburse an Agent, a Bookrunner or a Lender in respect of any loss or payment, the calculation of the amount payable by way of indemnity or reimbursement shall take account of the Tax treatment in the hands of the Agent, the relevant Bookrunner or the relevant Lender, as the case may be, (as conclusively determined by the relevant party) of the amount payable by way of indemnity or reimbursement and of the loss or payment in respect of which that amount is payable.

10. TAXES AND TAX INDEMNITIES

10.1 Definitions

In this Agreement:

"Protected Party" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"Tax Credit" means a credit against, relief or remission for, or repayment of, any Tax.

"Tax Deduction" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

"Tax Payment" means either the increase in a payment made by an Obligor to a Finance Party under Clause 6.6 (*Minimum interest*) Clause 10.2 (*Taxes*) or a payment under Clause 10.3 (*Tax indemnity*).

10.2 Taxes

- (a) All payments by an Obligor under the Finance Documents shall be made free and clear of and without deduction or withholding for or on account of any Tax or any other governmental or public payment imposed by the laws of any jurisdiction from which or through which such payment is made, unless a Tax deduction or withholding is required by law.
- (b) Any Obligor shall promptly upon becoming aware that it must make a Tax deduction or withholding (or that there is any change in the rate or the basis of a Tax deduction or withholding) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the relevant Obligor.
- (c) If a Tax deduction or withholding is required by law to be made by an Obligor:
 - (i) the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax deduction or withholding) leaves an amount equal to the payment which would have been due if no Tax deduction or withholding had been required (tax gross-up); and

- (ii) the Obligor shall make that Tax deduction or withholding within the time allowed and in the minimum amount required by law.
- (d) Within thirty (30) days of making either a Tax deduction or withholding or any payment required in connection with that Tax deduction or withholding, the Borrowers shall deliver to the Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax deduction or withholding has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10.3 Tax indemnity

- (a) The Borrowers shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:
 - (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or
 - (ii) to the extent a loss, liability or cost is compensated for by an increased payment under Clause 6.6 (*Minimum interest*), Clause 10.2 (*Taxes*) or relates to a FATCA Deduction required to be made by a Party
- (c) A Protected Party making, or intending to make a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrowers.
- (d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 10.3, notify the Agent.

10.4 Tax Credit

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part or to that Tax Payment; and
- (b) that Finance Party has effectively and definitively obtained, utilised and retained that Tax Credit,

the Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor. Nothing in this clause shall interfere with the corresponding Finance Party's right to arrange its tax affairs in whatever manner it thinks fit.

10.5 Stamp taxes

The Parent shall pay and, within three Business Days of demand, indemnify each Secured Party and Arranger against any cost, loss or liability that Secured Party or Arranger incurs in relation to all transfer tax, stamp duty, judicial duties, registration and other similar Taxes payable in respect of the formalisation, execution, performance or enforcement of any Finance Document.

10.6 VAT

- (a) All amounts set out, or expressed to be payable under a Finance Document shall be deemed to be exclusive of any VAT. If VAT is chargeable, the relevant Obligor shall pay to the Agent for the account of such Finance Party (in addition to the amount required pursuant to the Finance Documents) an amount equal to such VAT.
- (b) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- (c) Any relation to any supply made by a Finance Party to any other Party under a Finance Document, as requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.
- (d) Any reference in this Clause 10.6 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context requires otherwise) a reference to the person who is treated as that time as making the supply, or (as appropriate) receiving the supply, under the grouping rules (provided for in Article 11 of Council Directive 2006/112/EC (or as implemented by the relevant member state of the European Union) so that a reference to a Party shall be construed as a reference to that Party or the relevant group or entity (or fiscal unity) of which that Party is a member for VAT purposes at the relevant time or the relevant representative member (or representative or head) of that group or entity at the relevant time (as the case may be).

10.7 FATCA Information

- (a) Subject to paragraph (c) below, each Party shall, within ten (10) Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:
 - (A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party;

- (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA.
- (iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

(b) If a Party confirms to another Party pursuant to 10.7 (i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

(c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

- (i) any law or regulation;
- (ii) any fiduciary duty; or
- (iii) any duty of confidentiality.

(d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

10.8 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Company and the Agent and the Agent shall notify the other Finance Parties.

10.9 Other indemnities

The Borrowers shall (or shall procure that an Obligor will), within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Default;

- (b) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 17;
- (c) funding, or making arrangements to fund, its participation in a Loan requested by a Borrower (or the Parent on its behalf) in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone);
- (d) any claim, action, civil penalty or fine against, any settlement, and any other kind of loss or liability, and all reasonable costs and expenses under any Finance Documents (including reasonable counsel fees and disbursements) incurred by the Agent or any Finance Party as a result of conduct of any Obligor or any of their partners, directors, officers or employees, that violates any Sanctions Laws; or
- (e) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by a Borrower.

11. ON DEMAND GUARANTEE AND INDEMNITY

11.1 Guarantee and indemnity

Each Guarantor hereby irrevocably and unconditionally jointly and severally, but subject to any limitations set out in Clause 11.10 (*Limitations*) or any equivalent limitations set out in any Accession Agreement by which such Guarantor became party hereto;

- (a) guarantees to each Finance Party, as and for its own debt as principal obligor and not merely as a surety, punctual performance by each Obligor of all that Obligor's obligations under the Finance Documents;
- (b) undertakes with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) undertakes to indemnify each Finance Party it will, as an independent and primary obligation, on the Facility Agent's first demand against any cost, loss, expense, damage or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover.

A statement in writing by the Agent setting out the amount due and payable hereunder is binding and conclusive evidence against the Guarantor as to the obligation to pay such amount subject to the maximum amount stated in paragraph (b) above.

11.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

11.3 Number of claims

There is no limit on the number of claims that may be made by the Agent (on behalf of the Finance Parties) under this Agreement.

11.4 Reinstatement

If any payment by an Obligor or any discharge given by a Finance Party (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- (a) the liability of each Obligor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) each Finance Party shall be entitled to recover the value or amount of that security or payment from each Obligor, as if the payment, discharge, avoidance or reduction had not occurred.

11.5 Waiver of defences

The obligations of each Guarantor under this Clause 10 will not be affected by any act, omission, matter or thing which would reduce, release or prejudice any of its obligations under this Clause 10 (without limitation and whether or not known to it or any Finance Party) including but not limited to:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or other person;
- (b) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group, including for the avoidance of doubt the liquidation of the Dormant Companies as set out in Clause 13.3.12 (b) and the increase of the Total Commitment in accordance with Clause 2.3;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
- (e) any amendment (however fundamental) or replacement of a Finance Document or any other document or security, including for the avoidance of doubt the liquidation of the Dormant Companies as set out in Clause 13.3.12 (b) and the increase of the Total Commitment in accordance with Clause 2.3;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

11.6 Immediate recourse

Each Guarantor waives any right it may have of first requiring any Finance Party (or any agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 10. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

Each Guarantor incorporated under the laws of Spain waives its rights of benefits of execution (*excusión*), order (*orden*) and division (*división*).

11.7 Appropriations

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party and (or any agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 10.

11.8 Deferral of Guarantors' rights

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Facility Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by each of its obligations under the Finance Documents:

- (a) to be indemnified by an Obligor and/or any Group Company;
- (b) to claim any contribution from any other guarantor of any Obligor's and/or Group Company's obligations under the Finance Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party; and/or
- (d) to make any objection to pay on first demand.

11.9 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

11.10 Limitations

- 11.10.1 The obligations of each Guarantor shall be limited to a maximum amount of USD 1,200,000,000 with the addition of interest and costs. Sections 62 – 74 of the Norwegian Financial Contracts Act 1999 shall not apply to any Guarantor's obligations hereunder.

11.10.2 As required by Section 61 (2) of the Norwegian Financial Contracts Act 1999, the following information is given to each Guarantor:

- (a) in addition to the guarantees created under this Clause 10, Clause 12.1 (*Security Documents*) to this Agreement contains a list of all pledges, mortgages, guarantees and other security created as at the date of this hereof pursuant to this Agreement;
- (b) as of the date of this Agreement, no Default Notice has been issued pursuant to this Agreement; and
- (c) the guarantee created by each Guarantor hereunder is created in respect of obligations which have not been incurred prior to the creation of such guarantee.

11.10.3 The obligations of each Guarantor shall furthermore be limited to such mandatory provisions of law applicable to such Guarantor limiting the legal capacity or ability of the relevant Guarantors to grant a guarantee hereunder, it being understood by each Guarantor that if a limitation no longer is applicable such limitation will no longer be applicable to the guarantee set out herein.

11.10.4 If a payment by a Guarantor has been made in contravention of the limitations contained in Clause 11.10, the Finance Parties shall not be liable for any damages in relation thereto and the maximum amount repayable by the Finance Parties as a consequence of such contravention shall be the amount received from the Guarantor.

11.10.5 Norwegian limitations

- (a) The obligations of a Guarantor incorporated in Norway (each a “**Norwegian Guarantor**”) under the Guarantees will be limited by mandatory provisions of law applicable to the Norwegian Guarantor limiting the legal capacity or ability of the Norwegian Guarantor to provide a guarantee as provided for under this Clause 11 (including, but not limited to, the provisions of Sections 8-7 and 8-10, cf. 1-3, of the Norwegian Companies Acts of 1997.
- (b) The limitations set out in paragraph (a) above shall apply mutatis mutandis to any Security provided by any Norwegian Guarantor under the Finance Documents and to any guarantee, undertaking, obligation, indemnity and payment, including but not limited to distributions, cash-sweeps, credits, loans and set-offs, pursuant to or permitted by the Finance Documents in relation to a Norwegian Guarantor;
- (c) If a payment or the honouring of any Security by a Norwegian Guarantor has been made in contravention of the limitations contained in this Clause 11, the Finance Parties shall not be liable for any damages in relation thereto, and the maximum amount repayable by the Finance Parties as a consequence of such contravention shall be the amount received from that Norwegian Guarantor; and
- (d) If any limitation is no longer applicable as a mandatory provision under Norwegian law, such limitation will no longer apply to the Guarantee or Security provided by a Norwegian Guarantor.

11.10.6 Austrian limitations

Nothing in this Agreement shall be construed to create any obligation of a Guarantor incorporated in Austria (an “**Austrian Guarantor**”) to act in violation of mandatory Austrian

capital maintenance rules (Kapitalerhaltungsvorschriften), including, without limitation, § 82 et seq. of the Austrian Act on Limited Liability Companies (Gesetz über Gesellschaften mit beschränkter Haftung - GmbHG) and § 52 et seq. of the Austrian Act on Joint Stock Companies (Aktiengesetz – AktG) (the "**Austrian Capital Maintenance Rules**"), and all obligations of an Austrian Guarantor under this Clause 11 (*On Demand Guarantee and Indemnity*) and under any other provision in a Finance Document shall be limited in accordance with Austrian Capital Maintenance Rules.

If and to the extent the payment obligations of an Austrian Guarantor under this Clause 11 and/or under any other provision in a Finance Document would not be permitted under Austrian Capital Maintenance Rules, then such payment obligations shall be limited to the maximum amount permitted to be paid under Austrian Capital Maintenance Rules. According to the Parties' understanding of the Austrian Capital Maintenance Rules as of the date hereof, the amount secured is not less than (i) that Austrian Guarantor's balance sheet profit (including retained earnings) (Bilanzgewinn) as defined in § 224 (3) lit A no. IV of the Austrian Enterprise Code (Unternehmensgesetzbuch - UGB) as calculated by reference to the most recent (audited, if applicable) financial statements of that Austrian Guarantor then available, plus (ii) any other amounts which are freely available or can be converted into amounts freely available for distribution to the shareholder(s) under the GmbHG or AktG (as the case may be) and the UGB (such as, for instance, unrestricted reserves (freie Rücklagen)) at the time or times payment under or pursuant to this Clause 11 is requested from an Austrian Guarantor, plus, (iii) to the extent applicable, the equivalent of the aggregate Loans (plus any accrued interest, commission and fee thereon) borrowed by that Austrian Guarantor in its capacity as Borrower, plus (iv) to the extent applicable, the equivalent of the aggregate Loans (plus any accrued interest, commission and fees thereon) borrowed by any other Obligor under this Agreement and made available to that Austrian Guarantor and/or its Subsidiaries plus (v) the amount of any indebtedness capable of being discharged by way of setting-off that Austrian Guarantor's recourse claim following an enforcement of this guarantee against any indebtedness owed by that Austrian Guarantor to another Obligor.

If and to the extent the assumption or enforcement of any such payment obligation or liability of an Austrian Guarantor under this Clause 11 and/or under any other provision in a Finance Document would expose any officer of an Austrian Guarantor to personal liability or criminal responsibility such obligation or liability shall be limited to the maximum amount then permissible under Austrian Capital Maintenance Rules.

No reduction of an amount enforceable hereunder pursuant to these limitations will prejudice the rights of the Finance Parties or the Agent acting for and on behalf of the Finance Parties to continue enforcing their or his rights under this guarantee (subject always to the limitations set out in this Clause 11) until full satisfaction of the Obligors' obligations under the Finance Documents.

11.10.7 Swiss Limitations

- (a) If and to the extent that a Guarantor incorporated in Switzerland (a "**Swiss Guarantor**") becomes liable under the Finance Documents for obligations of its Affiliates other than its Subsidiaries and if complying with such obligations would be restricted under then applicable Swiss corporate law (the "**Restricted Obligations**"), the aggregate liability of the Swiss Guarantor for Restricted Obligations shall be limited to the amount of unrestricted equity capital surplus (including the unrestricted portion of general and statutory reserves, other free reserves, retained earnings and, to the extent permitted

by then applicable law, current net profits) available for distribution as dividends to the shareholders of the Swiss Guarantor (the "**Maximum Amount**"), provided that this is a requirement under then applicable mandatory Swiss law and understood that such limitation shall not free the Swiss Guarantor from its obligations in excess of the Maximum Amount, but that it shall merely postpone the performance date of those obligations until such time or times as performance is again permitted.

- (b) Immediately after having been requested to perform the Restricted Obligations under the Finance Documents, the Swiss Guarantor shall (i) perform any obligations which are not affected by the above limitations, and (ii) in respect of any balance, if and to the extent requested by the Facility Agent or required under then applicable Swiss law, provide the Facility Agent with an interim balance sheet audited by the statutory auditors of the Swiss Guarantor setting out the Maximum Amount, take any further corporate and other action as may be required by the Facility Agent (such as board and shareholders' approvals and the receipt of any confirmations from the Swiss Guarantor's statutory auditors) and other measures required to allow the Swiss Guarantor to make the payments agreed hereunder with a minimum of limitations and, immediately thereafter, pay up to the Maximum Amount to the Facility Agent.
- (c) In relation to payments made hereunder in satisfaction of Restricted Obligations, the Swiss Guarantor shall:
 - (i) if and to the extent required by applicable law and subject to any applicable double tax treaties in force at the relevant time:
 - (A) deduct Swiss Withholding Tax at the rate of 35 per cent. (or such other rate as is in force at that time) from any such payment;
 - (B) pay any such deduction to the Swiss Federal Tax Administration; and
 - (C) notify and provide evidence to the Facility Agent that the Swiss Withholding Tax has been paid to the Swiss Federal Tax Administration;
 - (ii) as soon as possible after a deduction for Swiss Withholding Tax is made as required by applicable law:
 - (A) ensure that any person which is entitled to a full or partial refund of the Swiss Withholding Tax, is in a position to be so refunded; and
 - (B) in case it has received any refund of the Swiss Withholding Tax, pay such refund to the Agent promptly upon receipt thereof.
- (d) For the avoidance of doubt, where a deduction for Swiss Withholding Tax is required pursuant to paragraph (c) above, the obligations of the Obligors under Clause 6.6 (Minimum interest), Clause 10.2 (Taxes), Clause 19.9 (Grossing-up) and Clause 10.3 (*Tax indemnity*) of this Agreement shall remain applicable, save to the extent and for as long as that would cause the Maximum Amount to be exceeded.
- (e) If the enforcement of Restricted Obligations would be limited due to the effects referred to in this Clause 11.10.7, then the Swiss Guarantor shall (i) to the extent permitted by applicable law, revalue and/or realize any of its assets that are shown on its balance

sheet with a book value that is significantly lower than the market value of such assets, and (ii) reduce its share capital to the minimum allowed under then applicable law.

11.10.8 German limitations

- (a) To the extent that the guarantee and indemnity created under this Clause 11 (the "**Guarantee**") is granted by a German guarantor incorporated in Germany as a limited liability company (GmbH) (each a "German Guarantor") and the Guarantee of the German Guarantor guarantees amounts which are owed by direct or indirect shareholders of the German Guarantor or Subsidiaries of such shareholders (with the exception of Subsidiaries which are also Subsidiaries of the German Guarantor), the Guarantee of the German Guarantor shall be subject to the limitations set out in the following paragraphs of this Clause 11.10.8. In relation to any other amounts guaranteed, the Guarantee of the German Guarantor remains unlimited.
- (b) Subject to paragraphs (d) to (n) below, the Agent shall not be entitled to enforce the Guarantee to the extent that the German Guarantor demonstrates before the enforcement that such enforcement has the effect of:
 - (i) reducing the German Guarantor's net assets (*Nettovermögen* within the German law meaning of that term) (the "Net Assets") to an amount less than its stated share capital (*Stammkapital* within the German law meaning of that term) (such reduction being a *Begründung einer Unterbilanz* within the German law meaning of that term); or
 - (ii) (if its Net Assets are already lower than its stated share capital) causing such amount to be further reduced (*Vertiefung einer Unterbilanz* within the German law meaning of that term),
- (c) and thereby contravenes the obligatory preservation of its stated share capital according to §§ 30, 31 German GmbH-Act (*GmbH-Gesetz*) (the "**GmbH-Act**") ("**Limitation on Enforcement**" or "**Limitation Event**"). For the avoidance of doubt, to the extent the enforcement of the Guarantee will result in a fully valuable recourse claim (*vollwertiger Rückgriffsanspruch*) within the meaning of sentence 2 of paragraph 1 of § 30 GmbH-Act ("**Recourse Claim**") of the German Guarantor against a third party including a shareholder or another member of the Group, no Limitation on Enforcement applies and no Limitation Event occurs.
- (d) The value of the Net Assets shall be determined in accordance with German GAAP consistently applied by the German Guarantor in preparing its unconsolidated balance sheets (Jahresabschluss according to § 42 GmbH-Act, §§ 242, 264 German Commercial Code (Handelsgesetzbuch – HGB)) in the previous years, save that:
 - (i) the amount of any increase of the stated share capital (*Stammkapital*) of the German Guarantor registered after the date of this Agreement without the prior written consent of the Majority Lenders shall be deducted from the relevant stated share capital;
 - (ii) loans provided to the relevant German Guarantor by a member of the Group or by a direct or indirect shareholders of that German Guarantor shall be disregarded if they are subordinated by an agreement in the sense of § 19 para. 2, 2nd sentence of the German Insolvency Code (*Insolvenzordnung*); and

- (iii) loans and other liabilities incurred in violation of the provisions of any Finance Document shall be disregarded.
- (e) The Limitation on Enforcement shall only apply if and to the extent that the managing director(s) (Geschäftsführer) on behalf of the respective German Guarantor have confirmed in writing to the Agent within ten Business Days following the Agent's demand under the Guarantee (i) the amount of the German Guarantor's Net Assets and (ii) to what extent the demanded payment would lead to the occurrence of a Limitation Event (the "**Management Determination**"), provided that until and including the earlier of (A) the date falling ten Business Days after the Agent's demand under the Guarantee and (B) the date of delivery of the Management Determination to the Agent, the right to enforce the Guarantee (whether in full or in part) shall be suspended.
- (f) If the Agent disagrees with the Management Determination, the Agent (acting on behalf of the Finance Parties) shall nevertheless be entitled to enforce the Guarantee up to such amount, which is undisputed between itself and the relevant German Guarantor in accordance with the provisions of paragraph (e) above, provided that the Agent may only distribute any proceeds of such enforcement to any other Finance Party (in accordance with the relevant provisions of this Agreement) after receipt, and, subject to paragraph (l) below, on the basis of, the Auditor's Determination (as defined below). In relation to the amount which is disputed, the Agent and such German Guarantor shall instruct a firm of auditors of international standing and reputation to determine within 45 calendar days (or such longer period as has been agreed between the Company and the Agent) from the date the Agent has contested the Management Determination in writing to the relevant German Guarantor (i) the amount of the German Guarantor's Net Assets and (ii) to what extent the demanded payment would lead to the occurrence of a Limitation Event (the "**Auditor's Determination**"). If the Agent and the German Guarantor do not agree on the appointment of a joint auditor within five (5) Business Days from the date the Agent has disputed the Management Determination in writing to the relevant German Guarantor, the Agent shall be entitled to appoint auditors of international standing and reputation in its reasonable discretion. Without prejudice to paragraph (l) below, the amounts determined in the Auditor's Determination shall be (except for manifest error) binding on all Parties. The costs of the Auditor's Determination shall be borne by the Borrowers.
- (g) If the amount which is enforceable under the Guarantee as determined by the Auditor's Determination (calculated as of the date the demand under the Guarantee was made and in accordance with paragraph (d) above) is lower than as determined by the Management Determination (the excess amount, the "**Excess Amount**"), but the Guarantee has been enforced on the basis of the amount determined by the Management Determination, then the Agent (acting on behalf of the Finance Parties) shall, within five (5) Business Days of receipt by the Agent of a written demand from the relevant German Guarantor
- (i) repay the Excess Amount (if and to the extent the amounts enforced on the basis of the Management Determination have not been received by any other Finance Party), and
- (ii) if and to the extent the amounts enforced on the basis of the Management Determination have been received by any other Finance Party, notify that

Finance Party of the Excess Amount and forthwith pass on any amounts actually returned to the Agent by the Finance Parties in respect of the Excess Amount,

- (h) in each case provided a demand for repayment of the Excess Amount is made by the relevant German Guarantor to the Agent within one Month from the earlier of (i) the date of receipt by the Agent of the Auditor's Determination and (ii) the date falling 45 calendar days (or such longer period as has been agreed between the Borrowers and the Agent) from the date the Agent has contested the Management Determination in writing to the relevant German Guarantor (it being understood that any demand for repayment needs to specify the Excess Amount and can therefore only be made by the relevant German Guarantor once the Auditor's Determination is available). For the avoidance of doubt, each Finance Party shall only be liable to return such portion of the Excess Amount actually received (and, in the case of the Agent, not on-paid) by it and nothing set out in this paragraph (g) shall establish any joint and several liability of the Finance Parties in respect of any Excess Amount.
- (i) If pursuant to the Auditor's Determination the amount payable under the Guarantee is higher than set out in the Management Determination the relevant German Guarantor shall pay the difference to the Finance Parties within five (5) Business Days after receipt of the Auditor's Determination.
- (j) If the German Guarantor intends to demonstrate that the enforcement of the Guarantee would lead to the occurrence of a Limitation Event, then the German Guarantor shall, if the Agent so requests acting upon instruction of the Majority Lenders (each such request a "**Realisation Request**"), within two Months (or such longer period as the Agent may specify) following receipt by the German Guarantor of the Realisation Request, realise at arm's length terms to the extent necessary to satisfy the amounts demanded under this Guarantee any and all of its assets that:
 - (i) are shown in its balance sheet with a book value (*Buchwert* within the German law meaning of that term) which is significantly lower than their market value; and
 - (ii) are not operationally necessary to continue its existing business or are capable to be replaced by the German Guarantor by way of sale and lease-back, the purchase of services from third parties or otherwise, (the "**Relevant Assets**").
- (k) The German Guarantor shall within one Month following the Agent's Realisation Request provide to the Agent a list of all Relevant Assets. If the German Guarantor has not realised the Relevant Assets within two Months following the Agent's Realisation Request (the "**Realisation Period**") but delivered a Management Determination to the Agent, and (A) has omitted to undertake reasonable endeavours to effect such realisation or (B) has not provided reasonably detailed evidence to the Agent that it has undertaken reasonable endeavours to effect such realisation, until the last day of the Realisation Period, the Agent may instruct the auditor instructed to prepare the Auditor's Determination to prepare within fifteen calendar days an Auditor's Determination (regardless whether an Auditor's Determination has already been provided), taking into account any not realised Relevant Assets at 70 per cent. of their market value. Without prejudice to paragraph (l) below, the amounts determined in that Auditor's Determination shall be (except for manifest error) binding for all Parties. The costs of that Auditor's Determination shall be borne by the Borrowers.

- (l) The Limitation on Enforcement does not affect the right of the Finance Parties to claim again any outstanding amount at a later point in time if and to the extent that paragraph (b) would allow this at that later point.
- (m) The Limitation on Enforcement does not apply in relation to amounts that correspond to funds that have been on-lent to the relevant German Guarantor or any of its Subsidiaries. The burden of demonstrating that no amounts have been on-lent is on the German Guarantor, provided that an up-to-date financial statement of the German Guarantor prepared in accordance with the principles applicable to its unconsolidated balance sheet (*Jahresabschluss* according to § 42 GmbH-Act, §§ 242, 264 German Commercial Code) and setting out in reasonable detail in its annex (Anhang) any such on-lending (including to its Subsidiaries) or confirming its non-existence, shall constitute prima facie evidence for this purpose.
- (n) The Limitation on Enforcement does not apply to any amounts payable under the Guarantee by a German Guarantor during the existence of a domination and/or profit and loss transfer agreement with the relevant German Guarantor as controlled entity (in accordance with § 291 of the German Stock Corporation Act (*Aktiengesetz*) other than where the existence of such domination and/or profit and loss transfer agreement has not the effect as set out in sentence 2 of paragraph 1 of section 30 GmbH-Act.
- (o) This Clause 11.10.8 shall apply mutatis mutandis, if the Guarantee is granted by a German Guarantor organised as a limited partnership (*Kommanditgesellschaft, KG*) or general partnership (*offene Handelsgesellschaft, OHG*) with a limited liability company incorporated under German law (*Gesellschaft mit beschränkter Haftung, GmbH*) as general partner (*Komplementär bzw. unbeschränkt haftender Gesellschafter* within the German law meaning of that term) (a "**Relevant General Partner**") of such Guarantor, in respect of such Relevant General Partner.
- (p) The restrictions under this Clause 11.10.8 shall not apply if, at the time of enforcement of the Guarantee, as a result of a change in the laws or German supreme court jurisprudence (*höchstrichterliche Rechtsprechung*), the granting or enforcement of the Guarantee can no longer result in a personal liability of the German Guarantor's or, as applicable, the Relevant General Partner's managing directors with a view to the obligatory preservation of its stated share capital according to §§ 30, 31 German GmbH-Act or any substitute provision.

11.10.9 Spanish limitations

- (a) Notwithstanding anything set out to the contrary in this Agreement or any other Finance Document, the obligations and liabilities of any Guarantor incorporated in Spain under this Agreement or any other Finance Document to which it is a party shall be deemed to have been given only to the extent such guarantee does not violate articles 143 or 150 of the Spanish Capital Companies Act (Real Decreto Legislativo 1/2010, de 3 de Julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital), governing, inter alia, unlawful financial assistance, and the liability of each such Guarantor only applies to the extent permitted by such provisions.
- (b) The limitation set out in paragraph (a) above shall apply mutatis mutandis to any security created by any Obligors incorporated in Spain under the Security Documents and to any guarantee, undertaking, obligation, indemnity and payment, including (but

not limited to) distributions, cash sweeps, credits, loans and set-offs, pursuant to or permitted by the Finance Documents and made by each such Obligor.

11.10.10 Polish Limitations

- (a) The guarantee and the liability of any Guarantor incorporated in Poland under this guarantee shall:
 - (i) in the case of a Guarantor incorporated in Poland being a limited liability company, be limited in such way that such Guarantor shall not be obliged to effect any payment under this guarantee in the event and to the extent that they result in reduction of its assets necessary to fully cover its share capital in breach of Article 189 § 2 of the Polish Commercial Companies Code; and
 - (ii) in the case of a Guarantor incorporated in Poland being a joint stock company, or a subsidiary of a joint stock company, not extend to any part of the Facilities which provide direct, or indirect, financing (within the meaning of Article 345 § 1 of the Polish Commercial Companies Code) in respect of the acquisition of shares issued by such joint stock company incorporated in Poland to the extent the requirements under Article 345 of the Polish Commercial Companies Code has not been satisfied; for the avoidance of doubt, the foregoing means that the guarantee to such extent shall be limited and deemed not to be given by such Guarantor.
 - (iii) be limited and shall not include a guarantee or liability of any Guarantor incorporated in Poland for payment of any amounts due under or in connection with any Finance Document to the extent such amounts were used to finance acquisition of shares in DTP S.A (with its registered seat in Warsaw) by PRA Group Polska sp. z o.o (with its registered seat in Warsaw), for the avoidance of doubt, the foregoing means that the guarantee to such extent shall be limited and deemed not to be given by such Guarantor.
- (b) Notwithstanding anything to the contrary contained in this Agreement or in any of the other Finance Documents, the obligations of each Guarantor incorporated in Poland are limited to the extent that they do not result in its insolvency in the meaning of Article 11 § 2 of the Polish Bankruptcy Law or insolvency under any relevant regulation (the "**New Bankruptcy Law**") that will replace or amend the Polish Bankruptcy Law and which will specify that entity is insolvent when the value of its liabilities (all or some of them) exceeds the value of its assets (regardless of whether such situation will result in immediate insolvency or lapse of time will be required). The limitation in this subparagraph will not apply if one or more of the following circumstances occur:
 - (i) a Default is declared, occurs and is outstanding, irrespective of whether it occurs before or after the Guarantor incorporated in Poland concerned becomes insolvent within the meaning of Article 11 section 2 of the Polish Bankruptcy Law or similar provisions of the New Bankruptcy Law;
 - (ii) the liabilities of the Guarantor incorporated in Poland (except those under the Finance Documents) result in its insolvency within the meaning of Article 11 section 2 of the Polish Bankruptcy Law or similar provisions of the New Bankruptcy Law.

12. SECURITY

12.1 Security Documents

The Secured Obligations shall be secured by the interests and rights granted to the Finance Parties under the Security Documents. Such security shall rank with first priority and consist of:

- (a) the Share Pledges;
- (b) the Assignment of Intra-Group Loans;
- (c) the Pledge of Shareholder Loans;
- (d) the Assignment of Restructuring Intra-Group Loans; and
- (e) the Polish Security,

(collectively the "Transaction Security")

12.2 Hedging Agreements

All obligations and liabilities of any Group Company to any Lender under or in connection with any Hedging Agreement or the Overdraft Facility shall be treated, for all purposes (other than Clauses 19.7 (*Partial payments*) and 17.1 (*Redistribution*)), as obligations and liabilities incurred under this Agreement and, for the avoidance of doubt, a Group Company's obligations and liabilities under any Hedging Agreement or the Overdraft Facility shall be considered as Secured Obligations and liabilities under the Security Documents and for such purposes any reference in any Security Document to a Lender shall be deemed to include that Lender as a party to the relevant Hedging Agreements.

12.3 Additional Guarantor

12.3.1 Any company which is or becomes a Portfolio Owner or a Collection Company shall become an additional Guarantor and shall as soon as reasonably practicable execute and deliver an Accession Agreement to the Facility Agent together with all the documents referred to in the schedule to that Accession Agreement, each in form and substance reasonably satisfactory to the Facility Agent.

12.3.2 Each Finance Party hereby irrevocably authorises the Facility Agent to execute on its behalf Accession Agreements delivered to the Facility Agent by a Group Company in accordance with the terms of this Clause 12.3.

12.4 Additional Security

- (a) The Borrowers shall procure that a company which is or becomes a Portfolio Owner or a Collection Company (subject to as set out in (b) below) or becomes a Portfolio Owner or a Collection Company shall as soon as reasonably practicable grant the relevant Transaction Security and the Borrowers shall procure that the relevant Transaction Security is granted and perfected over the shares of that Portfolio Owner or Collection Company, as security for the Secured Obligations.
- (b) The Borrowers shall procure that the Original Collection Companies shall grant the relevant Transaction Security including any relevant documents as set out in Schedule 5, and that the relevant Transaction Security is granted and perfected over the shares

of the Original Collection Companies at the earlier of (i) 28 February 2015, (ii) upon being transferred to the Borrowers in accordance with the Restructuring, and (iii) upon becoming Portfolio Owners (provided in (i) and (ii) that they are Collection Companies at that point.

1.5 Special provision on Spanish enforcement procedures

12.4.1 Accounts of the Security Agent and of the Lenders

For the purposes of enforcing or foreclosing, pursuant to Spanish law, this Agreement (including any Guarantee provided by any Guarantor incorporated in Spain pursuant to Clause 11 or under the Security Documents), the Security Agent, in its capacity as such (and on behalf of the Lenders), shall open and maintain a special credit facility account in its books on behalf of the Obligors, from which all interest, fees, expenses, default interest, additional costs and any other amounts that the Obligors owe to the Lenders under the Finance Documents will be debited and into which all amounts received by or on account of the Lenders from the Obligors under the Finance Documents will be credited, so that the balance of the credit account represents the amount owed from time to time by the Obligors to the Lenders.

In addition to the account referred to in the preceding Clause, each Lender shall open and maintain a special account in its records equivalent to that described above, into which the interest, fees, expenses, default interest, additional costs and any other amounts that the Obligors owe to the Lender hereunder will be debited and into which all amounts received by the Lender from the Obligors under the Finance Documents shall be credited, so that the sum of the balance of the credit account represents the amount owed from time to time by the Obligors to the Lender. In the event of assignment as provided in Clause 23, the assignor will totally or partially cancel the referenced accounts, with corresponding accounts to be opened by the assignee.

Any failure to keep the records referred to in the two preceding Clauses or any error in doing so will not, however, limit or otherwise affect the obligation of the Lenders to pay any amount owed pursuant to the Finance Documents.

12.4.2 Determination of outstanding balance

In the event of any discrepancy between the accounts and records maintained by any Lender and the accounts and records of the Security Agent corresponding to such matters, the Security Agent's accounts and records will take precedence in the absence of manifest error.

12.4.3 If any of the events of termination by maturity or acceleration of the Facility occurs, the Security Agent or, if applicable, a Lender who brings the action separately, will settle the accounts referred to in Clause 12.5.1 (*Accounts of the Security Agent and of the Lenders*). For the purposes of enforcement in judicial or extrajudicial proceedings, it is expressly agreed that the balance of the accounts referred to in Clause 12.5.1 (*Accounts of the Security Agent and of the Lenders*) resulting from the certification for that purpose issued by the Security Agent or, if applicable, the Lender who brings the action separately will be deemed a liquid, due and payable amount enforceable against the Borrowers and any Guarantor incorporated in Spain, provided that it is evidenced in a notarial document that the settlement was made in the form agreed by the parties in the enforceable instrument (*título ejecutivo*) and that the outstanding balance is equivalent to that recording in the corresponding account of the Borrowers opened in connection with the Facility.

12.4.4 The Security Agent or, if applicable, the relevant Lender, shall give advance notice to the Borrowers of the amount due as a result of the settlement.

12.4.5 In the event that the Lenders or, if applicable, the Lender who brings the action separately, decide to commence the ordinary enforcement proceedings contemplated under articles 517 et seq. of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil*), the Parties expressly agree for the purposes of articles 571 et seq. of the Spanish Civil Procedure Act that the settlement to determine the enforceable due debt (*deuda ejecutivamente reclamable*) will be carried out by the Security Agent or, if applicable, by the Lender who brings the action separately. Therefore, the following will be sufficient for the commencement of summary proceedings:

- (a) an executory copy (*copia autorizada de la escritura matriz con carácter ejecutivo*) of the notarial instrument raising this Agreement to the status of a public deed;
- (b) a certificate, issued by the Security Agent or, if applicable, by the Lender who brings the action separately, of the debt for which the Borrowers are liable, which shall include an extract of the debit and credit entries and the entries corresponding to the application of interest that determine the specific balance for which enforcement is requested;
- (c) the document evidencing (*documento fehaciente*) that the settlement of the debt has been carried out in the form agreed in this Agreement; and
- (d) a certified document evidencing the service of prior notice to the Borrowers of the amount due as a result of the settlement.

12.4.6 All taxes, expenses and duties that accrue or incurred by reason of the notarial instruments referred to in the preceding Clause will be satisfied by the Borrowers.

13. REPRESENTATIONS AND WARRANTIES

13.1 Representations and warranties

Each Obligor makes the representations and warranties set out in this Clause 13 to each Finance Party, in respect of itself.

13.1.1 Status

Each Group Company, except for the Polish Securitization Funds, is a limited liability company duly incorporated with perpetual corporate existence under the laws of the jurisdiction of its incorporation, and it possesses the capacity to sue and be sued in its own name and has the power to carry on its business and to own its property and other assets.

13.1.2 Powers and authority

Each Group Company, where applicable, has the power to execute, deliver and perform its obligations under the Finance Documents and to carry out the transactions contemplated by those documents and all necessary corporate, board, management body, shareholder and other action has been or will be taken to authorise the execution, delivery and performance of the same.

13.1.3 Binding obligations

Subject to the Reservations, the obligations of each Group Company under the Finance Documents constitute its legal, valid, binding and enforceable obligations.

13.1.4 Contraventions

The execution, delivery and performance by each Group Company of the Finance Documents do not:

- (a) contravene any applicable law, regulation or any order of any governmental or other official authority, body or agency or any judgement, order or decree of any court having jurisdiction over it, including Sanctions;
- (b) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement, arrangement or other instrument to which it is a party or any licence or other authorisation to which it is subject or by which it or any of its property is bound, which is likely to have a Material Adverse Effect; or
- (c) contravene or conflict with the provisions of its articles of association, registration certificate or other constitutional documents.

13.1.5 Insolvency

No Group Company (i) is unable to pay its debts as they fall due or has admitted in writing its inability to pay its debt as they fall due or has become insolvent, (ii) has suspended making payments on any of its debts as they fall due or, by reason of actual or anticipated financial difficulties, has commenced negotiations with one or more of its creditors with view to rescheduling any of its indebtedness or the Lone Star Commitment; (iii) has taken any action (by petition, application, answer, consent or otherwise), (iv) otherwise has taken any action nor have any steps been taken or legal proceedings been started or, to the best of any Obligor's knowledge and belief, threatened against it for winding up, liquidation, bankruptcy, dissolution (including liquidacion, disolucion, concurso de acreedores or any similar situation under the Spanish corporate, commercial and civil law regulation) or re organisation (other than a solvent re-organisation), or similar executor or judicial proceeding, or has submitted to the relevant court a notice as set forth under article 583 of the Insolvency Law (*Ley Concursal*), which restated text was approved by Royal Legislative Decree 1/2020 of 5 May, (v) any such action has been instituted against such member of the Group and remains undismissed, undischarged or unstayed, (vi) has taken any corporate or similar action for the purpose of effecting any of the foregoing and (vii) the enforcement of any Encumbrance over its assets or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of it or of any of its assets.

13.1.6 No default

No Group Company is (nor would be with any of the giving of notice, the lapse of time, the determination of materiality, or the satisfaction of any other condition), in breach of or in default under any agreement or arrangement to which it is a party or which is binding on it or any of its assets in a manner or to an extent which is likely to have a Material Adverse Effect.

13.1.7 Litigation

No action, litigation, arbitration or administrative proceeding has been commenced or is pending or, as far as each Obligor is aware, threatened against any Group Company which, if decided adversely, is likely to have a Material Adverse Effect, nor is there subsisting any

unsatisfied judgement or award given against any of them by any court, arbitrator or other body.

13.1.8 Accounts and projections

Each of the Accounts prepared of each Group Company required to be delivered under Clause 14.1.1 (*Financial Statements*) is prepared in accordance with the Accounting Principles and gives, to the best knowledge and belief of each Obligor, a true and fair view of the financial position of the relevant company as at the date to which they were prepared and for the Financial Year of that company then ended and there are no material adverse change in in the consolidated financial condition of the Obligors since the date of the latest published financial statements.

13.1.9 Encumbrances

No Encumbrance other than a Permitted Encumbrance exists over all or any part of the assets of any Group Company.

13.1.10 No Encumbrances created

The execution of the Finance Documents by the Obligors and the exercise of each of their respective rights and the performance of each of their respective obligations under the Finance Documents will not result in the creation of, or any obligation to create, any Encumbrance over or in respect of any of their assets (other than pursuant to the Finance Documents).

13.1.11 Indebtedness

No Group Company has any outstanding Indebtedness (save for any Permitted Indebtedness).

13.1.12 Authorisations

Other than the registration of and/or giving of notice in accordance with the Security Documents, all authorisations, approvals, licences, consents, filings, registrations, payment of duties or taxes and notarisations required:

- (a) for the conduct of the business, trade and ordinary activities of each Group Company, except to the extent that failure to make, pay or obtain the same would not have a Material Adverse Effect;
 - (b) for the performance and discharge of the obligations of each Group Company under the Finance Documents to which it is a party; and
 - (c) in connection with the execution, delivery, validity, enforceability or admissibility in evidence of the Finance Documents,
- are in full force and effect.

13.1.13 Stamp duties

Other than the registration of the Security Documents, no stamp or registration duty or similar taxes or charges are payable in any relevant jurisdiction in respect of any Finance Document, except where the Finance Documents are (i) voluntarily presented to the registration formalities or (ii) appended to a document that requires mandatory registration, a registration

duty (*droit d'enregistrement*) will be due, the amount of which will depend on the nature of the document to registered.

13.1.14 Financial year

The financial year of each Group Company is the calendar year.

13.1.15 Corporate structure

On the date of the Agreement:

- (a) The details of Borrowers and its Subsidiaries set out in Schedule 7 are accurate and complete in all respects.
- (b) Save as specified in Schedule 7, no person has any interest in (including but not limited to any right of pre-emption, option to acquire or the equivalent) the shares of any Group Company other than over the shares in the Borrowers.
- (c) No Group Company has any interest in any person in respect of which the liability of that Group Company in respect of the obligations of that person is unlimited.
- (d) Each of the Group Companies (other than the Borrowers) set out in Schedule 7 is, unless otherwise expressly stated in Schedule 7, owned to 100 per cent (votes and capital).

13.1.16 Intellectual Property Rights

- (a) The Group Companies own or have the legal right to use all of the Intellectual Property Rights which are material to the conduct of the business of any Group Company or are required by any Group Company in order for it to carry on its business.
- (b) The operations of each Group Company do not infringe, or are not likely to infringe, any Intellectual Property rights held by any third party, which infringement if ruled against the company is likely to have a Material Adverse Effect.
- (c) No claim has been made in writing by any third party which alleges any infringing act or process which would fall within paragraph (b) above or which otherwise disputes the right of any Group Company to use any Intellectual Property Rights relating to that company's business which if ruled against the company is likely to have a Material Adverse Effect and no Group Company is aware of any circumstances (including any act or omission to act) which could reasonably be expected to give rise to such a claim.
- (d) There exists no actual or threatened, as far as each Obligor is aware, infringement by any third party of any Intellectual Property Rights relating to the business of any Group Company or any event likely to constitute such an infringement, which infringement if ruled against the company is likely to have a Material Adverse Effect.
- (e) All Intellectual Property Rights owned by a Group Company are subsisting and no act has been done or omitted to be done and no event has occurred or, is likely to occur which has or could reasonably be expected to render any Intellectual Property Rights subject to revocation, compulsory licence, cancellation or amendment, which event is likely to have a Material Adverse Effect.

13.1.17 Ownership of Assets

Save to the extent provided for in this Agreement or disposed of without breaching the terms of any of the Finance Documents, each Group Company has good title to or valid leases or licences of or is otherwise entitled to use and permit other Group Companies to use all assets necessary to conduct its business in all material ways. All Existing Loan Portfolios and Approved Loan Portfolios are wholly owned by a Portfolio Owner, save only as set out in Clause 14.2.15 (*Ownership of Loan Portfolio*).

13.1.18 Security Documents

- (a) Subject to the Reservations, the Security Documents create the Encumbrance they purport to create with the priority stated therein and are not liable to be avoided or otherwise set aside on the liquidation, administration, bankruptcy or equivalent of the Group Company party to them.
- (b) Each Group Company is the owner of the assets of each member of the Group which it pledges or purports to pledge pursuant to any of the Security Documents. The assets pledged (or purported to be pledged) pursuant to the Security Documents are all fully paid (as applicable), are pledged by way of first ranking pledge if not otherwise expressly stated in this Agreement and are not subject to any option to purchase, pre-emption rights, right of first refusal or similar rights and, represent all of the issued share capital of the relevant company.

13.1.19 Deduction of Tax and no filing or Stamp taxes

- (a) It is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Lender.
- (b) Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except that in the case of court proceedings in a Luxembourg court or the presentation of the Finance Documents – either directly or by way of reference – to an autorité constituée, such court or autorité constituée may require registration of all or part of the Finance Documents with the Administration de l'Enregistrement et des Domaines in Luxembourg, which may result in registration duties, at a fixed rate or an ad valorem rate which depends on the nature of the registered document, becoming due and payable.

13.1.20 Pari passu ranking

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

13.1.21 No Residency

No Finance Party will be deemed resident, domiciled or carrying on business in any jurisdiction by reason only of the execution, performance and/or enforcement of any Finance Document.

13.1.22 No material adverse change

There has been no change in the financial condition, operations, assets, business, properties or prospects of the Group since the date of the most recent annual Accounts of the Group, which has, or is reasonably likely to have, a Material Adverse Effect.

13.1.23 Compliance with Swiss Twenty Non-Bank Rule

- (a) Each Swiss Obligor is in compliance with the Swiss Twenty Non-Bank Rule.
- (b) For the purposes of paragraph (a) above, each Swiss Obligor shall assume that the aggregate number of Lenders which are Swiss Non-Qualifying Banks is 10 (ten).

13.1.24 Sanctions

- (a) Each Obligor, each Subsidiary other member of the Group, their joint ventures, and their respective directors, officers, employees, and, to the best of the Obligors' knowledge, having made due enquiries, agents or representatives has been and is in compliance with Sanctions Laws;
- (b) No Obligor, nor any Subsidiary other member of the Group, their joint ventures, and their respective directors, manager, officers, employees, and, to the best of the Obligors' knowledge, having made due enquiries, agents, Affiliates or representatives:
 - (i) is a Restricted Party, or is involved in any transaction through which it is likely to become a Restricted Party; or
 - (ii) is subject to or involved in any inquiry, claim, action, suit, proceeding or investigation against it with respect to Sanctions Laws by any Sanctions Authority.

13.1.25 Taxation

- (a) It is not (and none of its Subsidiaries is) materially overdue in the filing of any Tax returns and it is not (and none of its Subsidiaries is) overdue in the payment of any amount in respect of Tax.
- (b) No claims or investigations are being, or are reasonably likely to be, made or conducted against it (or any of its Subsidiaries) with respect to Taxes.
- (c) It (excluding the Swiss Branch) is resident for Tax purposes only in its Original Jurisdiction and does not act through a permanent establishment in a jurisdiction or country different from the Original Jurisdiction.

13.1.26 Anti-corruption law

Each member of the Group has conducted its businesses in compliance with applicable anti-corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

13.1.27 Centre of main interest

The "centre of main interests" (as that term is used in the regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the "**Insolvency Regulation**")) of the Borrower is in Luxembourg, and the Borrower (other

than the Swiss Branch) has not any "establishment" (as that term is used in the Insolvency Regulation) outside Luxembourg. All the legal requirements of the Luxembourg law of 31 May 1999, as amended, regarding the domiciliation companies have been complied with by the Borrower.

13.1.28 Repetition

The representations and warranties set out in Clause 13.1 (*Representations and warranties*) shall survive the execution of this Agreement and each of the said representations and warranties (other than the representations and warranties set out in Clauses 13.1.9 (*Encumbrances*), 13.1.10, (*No Encumbrances created*), 13.1.11 (*Indebtedness*), 13.1.25 (*Taxation*), 13.1.14 (*Financial Year*) and 13.1.15 (*Corporate structure*)) shall be repeated (the "**Repeating Representations**") on each Interest Date, each Drawdown Date as if made with reference to the facts existing at the time of repetition.

14. UNDERTAKINGS

14.1 Information undertakings

The undertakings in this Clause 14.1 remain in force during the Security Period unless otherwise agreed by the Facility Agent (acting on the instructions of the Majority Lenders).

14.1.1 Financial Statements

The Borrowers shall supply to the Facility Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available and in any event within one hundred and eighty (180) days from the end of each Financial Year the audited financial statements for Luxco based on the agreed simplified GAAP-procedure (as agreed between the Agent and the Borrower) together with audited annual financial statements and audit report for the Parent (both on a consolidated basis) for that Financial Year.
- (b) as soon as the same become available and in any event within one hundred and eighty (180) days from the end of each Financial Year, the unaudited annual financial statements of the Borrowers (on a consolidated basis) for that Financial Year, such accounts to be prepared according to the agreed GAAP-procedure.
- (c) as soon as the same become available and in any event within sixty (60) days after the end of each Financial Quarter, the quarterly financial statements (the first financial statements to be delivered shall be based on Q3 2014) of the Borrowers and Parent (on a consolidated basis) for that Financial Quarter, where such accounts for the Borrowers are to be prepared by the agreed GAAP-procedure.
- (d) Following a breach of the 95% ERC requirement as set out in Clause 14.4.4 (*Collection*) the Borrowers shall deliver monthly calculations of the ERC requirement.

14.1.2 Information: miscellaneous

- (a) The Borrowers shall, as soon as possible following the Facility Agent's request (issued by the Facility Agent at the request by any of the Lenders), provide to the Facility Agent such other information, estimates, forecasts or projections in relation to any Group Company and any of their respective businesses, assets, financial condition, ownership or prospects, including ERC and Book Value calculations as the Facility Agent may reasonably require, provided that such information, estimates, forecasts or projections

shall be used solely for the purpose of the Finance Documents and shall be held in confidence by the Facility Agent and each Lender to which it is disclosed.

- (b) The Obligors shall promptly upon becoming aware of them provide to the Facility Agent such other information of details of any inquiry, claim, action, suit, proceeding or investigation pursuant to Sanctions Laws by any Sanctions Authority against it, any of its direct or indirect owners, Subsidiaries, other member of the Group, any of their joint ventures or any of their respective directors, officers, employees, agents or representatives, as well as information on what steps are being taken with regards to answer or oppose such.
- (c) The Obligors shall promptly upon becoming aware that it, any of its direct or indirect owners, Subsidiaries or other members of the Group, any of their joint ventures or any of their respective directors, officers, employees, agents or representatives has become or is likely to become a Restricted Party.

14.1.3 Repurchases of Loan Portfolios

- (a) The Borrowers shall promptly inform the Agent of any exercise of any repurchase right and provide reasonably detailed information concerning the background for such repurchases (in relation to (i) below, for the aggregate provide, in reasonable detail, an overview of all repurchases), in relation to any Loan Portfolio where:
 - (i) The repurchase would lead to the aggregate amount of repurchases for the previous 12 month period exceeding USD 5,000,000; or
 - (ii) The repurchase is initiated on the basis of a breach or alleged breach of law or regulation by a Borrower or any of its Subsidiaries.
- (b) The Borrowers shall in connection with the delivery of each Compliance Certificate report the aggregate amount of repurchases of Loan Portfolios during the relevant reporting period.

14.1.4 Compliance certificates

- (a) The Borrowers shall provide to the Facility Agent within sixty (60) days of each Quarter Date a certificate substantially in the form set out in Schedule 9 (*Form of Compliance Certificate*) (a "**Compliance Certificate**") executed by the chairman of the Board or the chief executive officer, the de facto chief financial officer or vice president finance of the Group certifying that on such Quarter Date (the first Compliance Certificate to be delivered to be based on the financial statements for Q3 2014) all the undertakings on the part of Borrowers under this Agreement are for the time being complied with and including the calculations relating to the financial undertakings set out in Clause 14.4 (*Financial undertakings*).
- (b) Each Compliance Certificate shall be verified by the Auditors in a form to be agreed between the Borrowers and the Facility Agent.

14.1.5 Accounting Principles

The Borrowers shall ensure that all Accounts and other financial information submitted to the Facility Agent have been prepared in accordance with the Accounting Principles. The Accounts will not need to include notes unless required by the Facility Agent.

14.1.6 Default, litigation, etc

The Borrowers shall promptly, upon becoming aware of the same, notify the Facility Agent of:

- (a) any Default or Potential Default;
- (b) any litigation, arbitration or administrative proceeding commenced against any Group Company involving a potential liability of any Group Company exceeding USD 5,000,000 on an aggregated basis; and
- (c) any Encumbrance (other than a Permitted Encumbrance) attaching to any of the assets of any Group Company.

14.1.7 Management presentations, etc

The Borrowers shall

- (a) once in every Financial Year and on the occurrence of a Default or a Potential Default, if requested by the Facility Agent, the chief executive officer and the de facto chief financial officer of the Group will, if so requested in writing, give a presentation to the Lenders, at a time and venue agreed with the Facility Agent (or otherwise as specified by the Facility Agent by not less than ten (10) Business Days' notice), about the status for and development of the Loan Portfolios, including any deviation from the mandate structure of the Service Agreements, the ongoing business and financial performance of the Group and the budget and about such other matters relating to the ongoing business and financial performance of the Group or any member of the Group as any of the Lenders may reasonably request;
- (b) if requested by the Facility Agent to carry out a due diligence of the Existing Loan Portfolios based on an agreed scope, but including calculation of the ERC Ratio. However, such request can only be made once a year.

14.1.8 "Know Your Customer"

If any Lender (or any prospective new Lender) needs to comply with "know your customer" or similar identification procedures, each Obligor shall (and the Borrowers shall ensure that each member of the Group will) promptly upon the request of the Facility Agent supply such information as is reasonably requested for this purpose by the Facility Agent.

14.1.9 Claims from sellers of Approved Loan Portfolio

The Borrowers shall report to the Facility Agent any additional claims a seller of an Approved Loan Portfolio makes on the cash flow from the Approved Loan Portfolio after the settlement date of the acquisition of such Approved Loan Portfolio.

14.1.10 Approved Loan Portfolios exceeding USD 100,000,000

The Borrowers shall report to the Facility Agent any Approved Loan Portfolio with an Acquisition Price exceeding USD 100,000,000 prior to the acquisition of such Approved Loan Portfolio.

14.2 Positive undertakings

The undertakings in this Clause 14.2 remain in force during the Security Period unless otherwise agreed by the Facility Agent (acting on the instructions of the Majority Lenders).

14.2.1 Taxes

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) pay and discharge all Taxes and governmental charges payable by or assessed upon it prior to the date on which the same become overdue unless, and only to the extent that, such Taxes and charges shall be contested in good faith by appropriate proceedings, pending determination of which payment may lawfully be withheld, and there shall be set aside adequate reserves with respect to any such Taxes or charges so contested in accordance with the Accounting Principles.

14.2.2 Insurance

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) maintain insurances of such types, in such amounts and against such risks as are maintained by prudent companies carrying on business comparable with that of the relevant Group Company.

14.2.3 Authorisations

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) obtain, maintain and comply with the terms of any authorisation, approval, licence, consent, exemption, clearance, filing or registration required:

- (a) for the conduct of its business, trade and ordinary activities (except to the extent that failure to obtain, maintain or comply with such requirements is not likely to have a Material Adverse Effect); and
- (b) to enable it to perform its obligations under, or for the validity, enforceability or admissibility in evidence of, any Finance Document.

14.2.4 Access

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) upon reasonable notice being given to the Borrowers by the Facility Agent, and not more than once a calendar year, permit the Facility Agent and any person (such as but not limited to an accountant, auditor, lawyer, valuer or other professional adviser of the Facility Agent) authorised by the Facility Agent to have, to a reasonable extent and at all reasonable times during normal business hours, access to the premises, sites or property of any Group Company and the right to discuss the affairs of each Group Company with the senior management of the relevant Group Company.

14.2.5 Ranking of obligations

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) ensure that its obligations under the Finance Documents to which it is a party shall at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated Indebtedness except for any obligations which are mandatorily preferred by law.

14.2.6 Further documents

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) at the reasonable request of the Facility Agent, do or procure the doing of all such things and execute or procure the execution of all such documents as are, in the reasonable opinion of the Facility Agent or the Security Agent, necessary to ensure that the Facility Agent or the Security Agent and the other Finance Parties obtain, maintain and protect all their rights and

benefits under the Finance Documents and maintain perfected security interests as contemplated under the Security Documents.

14.2.7 Hedging

The Borrowers shall always comply with the Hedging Strategy, and shall not change such strategy unless consented to by the Facility Agent.

14.2.8 Intellectual Property Rights

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) take all necessary action to protect, maintain and keep in full force and effect all the rights and benefits of each Group Company and ensure that the Group has full legal ownership in relation to any Intellectual Property Rights which is material to such Group Company.

14.2.9 Compliance

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) comply in all respects with all laws to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect and each Obligor shall also (and the Borrowers shall ensure that any Subsidiary or other members of the Group will) at all times comply with all Sanctions Laws.

14.2.10 Sanctions

Each Obligor shall ensure that none of them, nor any of their Subsidiaries or any other member of the Group, respective directors, officers, employees, and, to the best of their ability agents or representatives or any other persons acting on any of their behalf, is or will become a Restricted Party.

14.2.11 Maintenance of status

Unless otherwise expressly permitted under this Agreement, each Obligor shall (and the Borrowers shall ensure that each Group Company will) do all things necessary to maintain its corporate existence save only as contemplated under the Restructuring.

14.2.12 Auditors

The Borrowers shall ensure that each Group Company is audited by the Auditors.

14.2.13 Collection Company

- (a) The Borrowers shall ensure that each Portfolio Owner has entered into a Service Agreement (to the extent collection is not provided by the Portfolio Owner itself) and each Portfolio Owner shall procure or ensure that the Collection Company under the Service Agreement undertakes to remit all amounts received under a Loan Portfolio in segregated client accounts. The Borrowers shall ensure that each Service Agreement shall be entered into on arm's length principles containing a compensation level which is acceptable to the Facility Agent and shall not materially deviate from the standard approved by the Facility Agent.
- (b) The Borrowers shall ensure that no material change in the mandate structure of the Service Agreements will occur.

14.2.14 Compliance with Swiss Twenty Non-Bank Rule

- (a) Each Swiss Obligor shall at all times during the term of this Agreement be in compliance with the Swiss Twenty Non-Bank Rule.
- (b) For the purposes of paragraph (a) above, each Swiss Obligor shall assume that the aggregate number of Lenders which are Swiss Non-Qualifying Bank is 10 (ten).

14.2.15 Ownership of Loan Portfolio

The Borrowers shall procure that each relevant Portfolio Owner is the sole legal and beneficial owner of:

- (a) the cash flow from the Existing Loan Portfolios and Approved Loan Portfolios, except for cash flow from the Polish Portfolios which will be owned through the Polish Portfolio Notes representing ownership of (i) 70% of the total Loan Portfolios in case of the Omega Portfolio Notes and (ii) 100% of the total Loan Portfolios in case of the Horyzont Portfolio Notes, pursuant to their constitutional documents. For the avoidance of doubt, the Polish Securitization Funds shall be the sole legal and beneficial owner of the cash flow from the relevant Existing Loan Portfolios and Approved Loan Portfolios.
- (b) the Existing Loan Portfolios and Approved Loan Portfolios, except for:
 - (i) Approved Loan Portfolios where the beneficial owner is a Group Company but the legal ownership of such Loan Portfolio is with a financial institution holding a rating of at least "A-1" with Standard & Poor's Ratings Services, a division from the Mc Graw-Hill Companies, Inc or "A3" with Moody's Investors Service Inc., provided that the Borrowers has explicitly informed the Facility Agent that the Portfolio Owner does not have legal ownership and the Majority Lenders have not dis-approved the situation in writing to the Facility Agent within 7 Business Days of the Lenders receiving written notice thereof from the Facility Agent (the "**Tacit Consent Procedure**") provided that the Tacit Consent Procedure shall only be applicable to the extent that the Borrowers explicitly includes, in the information to the Facility Agent, that the information provided to the Facility Agent is subject to the Tacit Consent Procedure and the Facility Agent shall provide the Borrowers a prompt response as to the result of the Tacit Consent Procedure;
 - (ii) The BAWAG Portfolio, Eisberg Portfolio and the German Portfolio (all as set out in Schedule 8), provided that they shall be beneficially wholly owned by the respective Portfolio Owner and that no change in ownership, ownership structure or legal status and no substantial change in the agreements relating to the ownership of these, shall occur in relation to these from what has been presented to and approved by the Agent;
 - (iii) Approved Loan Portfolios as approved by the Facility Agent (on behalf of the Majority Lenders); and
 - (iv) The Loan Portfolios owned through the Polish Portfolio Notes, provided that:
 - (A) the relevant Portfolio Owner is the sole legal and beneficial owner of the Polish Portfolio Notes;

- (B) the relevant Polish Securitization Fund is the sole legal and beneficial owner of the relevant Existing Loan Portfolios and Approved Loan Portfolios;
- (C) that no change in ownership structure or legal status and no substantial change (including changes that may adversely effect the security interests of the Finance Parties) in the agreements relating to the rights or interests of the relevant Portfolio Owner to the Polish Portfolio Notes, the underlying portfolios or the Polish Securitization Funds, shall occur from what has been presented to and consented to in writing by the Agent;
- (D) any and all trading/transfer restrictions on the Polish Portfolio Notes are removed (i) in relation to the Omega Portfolio Notes within 60 days from the First Effective Date and (ii) in relation to the Horyzont Portfolio Notes from the First Effective Date.

Any calculations relating to that Loan Portfolio (including calculation of ERC and financial covenants) shall be made on the basis of the Polish Portfolio Notes' respective share of the underlying Loan Portfolio(s).

14.2.16 Centre of main interest

The Borrower undertakes that;

- (i) its "centre of main interests" (as that term is used in the Council Regulation (EC) n°1346/2000 of 29 May 2000 on insolvency proceedings) is in Luxembourg, and it (other than the Swiss Branch) has not any "establishment" (as that term is used in the Council Regulation (EC) n°1346/2000 of 29 May 2000 on insolvency proceedings) outside Luxembourg; and
- (ii) that all the legal requirements of the Luxembourg law of 31 May 1999, as amended, regarding the domiciliation companies have been complied with by.

14.2.17 Simplified GAAP procedure

The Borrower undertakes to deliver to the Agent, in form and substance satisfactory to the Agent, the description of the simplified GAAP procedure 10 days before the delivery of the Financial Statements in Clause 4.1.1.

14.3 Negative undertakings

The undertakings in this Clause 14.3 remain in force during the Security Period unless otherwise agreed by the Facility Agent (acting on the instructions of the Majority Lenders).

14.3.1 Negative Pledge

- (a) No Obligor shall (and the Borrowers shall ensure that no member of the Group will) create or permit to subsist any Encumbrance over any of a Group Company's assets or future assets other than Permitted Encumbrances without the Facility Agent's prior written consent.
- (b) The Borrowers shall ensure that no Subsidiary of the Borrowers which is a Collection Company shall create or permit to subsist any Encumbrances over any of its assets or

future assets except for Encumbrances arising by operation of law or by seller's retention of title.

14.3.2 Change of business

No Obligor shall (and the Borrowers shall ensure that no other member of the Group will) make any substantial change to the ordinary business of any member of the Group or the Group as a whole (being sale, purchase and collection of Loan Portfolios) or the business of AK Nordic from that carried on at the date of this Agreement. For the avoidance of doubt, Non-Recourse Companies may invest in assets other than those which are invested in as a part of the general nature or scope of the business of the Group as a whole.

14.3.3 Fees

No Obligor shall (and the Borrowers shall ensure that no member of the Group will) pay any fees or commissions to any person other than:

- (a) on open market terms; or
- (b) fees incurred under or in connection with any Finance Document.

14.3.4 No financial support

No Obligor shall (and the Borrowers shall ensure that no member of the Group will) make any financial support (including but not limited to provision of loans, credit, guarantees, comfort letters, future commitments), other than:

- (a) Intra-Group Loans to any Group Company, except Intra-Group Loans to the Omega Securitization Fund exceeding a total of USD 1,000,000;
- (b) Restructuring Intra-Group Loans;
- (c) Capital contributions in an entity inside the Group whose shares are subject to a Share Pledge, where required for the purpose of maintaining (i) efficient intra-group liquidity management and capital ratios, or (ii) compliance with regulatory capital requirements;
- (d) Injection of equity or granting of shareholder loans (in respect of the shareholder loans on terms and conditions acceptable to the Facility Agent (on behalf of the Majority Lenders)) by the Borrowers to a Non-Recourse Company provided that;
 - based on the latest Compliance Certificate and the latest Operating Budget (such Operating Budget to be acceptable to the Majority Lenders) the Borrowers is able to verify that immediately after the financial support being provided:
 - (i) the ERC Ratio to be below 33%;
 - (ii) GIBD Ratio for the Group to be below 2.0; and
 - (iii) no Default has occurred and is continuing or would occur on the making of the financial support;
- (e) Any guarantees, in relation to a Portfolio Owner's acquisition of a Loan Portfolio, from the Borrowers to the seller, provided that the guarantee amount is limited to the acquisition amount:

- (i) before settlement; and
 - (ii) after settlement provided such guarantees are not for the payment of an Acquisition Price other than the Acquisition Price of forward flow loan portfolios;
- (f) to the extent not covered by paragraph (f) of this Clause 14.3.4, guarantees, in relation to a Portfolio Owner's acquisition of a Loan Portfolio, from the Borrowers to the seller subject to the approval of the Facility Agent (on behalf of the Lenders);
 - (g) financial support provided by AK Nordic in its ordinary course of business; financial support provided between a Portfolio Owner and a Collection Company in its ordinary course of business;
 - (h) any financial support provided under the Cash Pool Agreement in accordance with Clause 14.3.6 (*Cash Pool Agreement*);
 - (i) Any financial support from the Borrowers to any of the Borrower's parent companies PRA Group Europe Holding I S.à r.l., PRA Group Europe Holding II S.à r.l. and PRA Group Europe Holding III S.à r.l. which is not in aggregate for these three companies in excess of USD 1,000,000 per calendar year;
 - (j) in respect of real property leased by an Obligor in the ordinary course of business and on customary arm's length terms;
 - (k) any other financial support to the extent approved by the Majority Lenders in writing; or
 - (l) any financial support not listed above and not exceeding the aggregate amount of USD 1,000,000 (for the Group).

14.3.5 Indebtedness

- (a) No Obligor (except for the Collection Companies) shall (and the Borrowers shall ensure that no member of the Group will) incur or permit to subsist any Indebtedness other than Permitted Indebtedness.
- (b) The Borrowers shall ensure that no Collection Company shall incur or permit to subsist any Indebtedness other than Indebtedness arising by operation of law or in the ordinary course of business.
- (c) The Borrowers shall procure that the AK Nordic Deposits which are not deposited as Earmarked Funds shall not at any time exceed SEK 1,200,000,000 unless approved by the Majority Lenders. The Borrowers shall ensure that AK Nordic shall only apply Earmarked Funds to repay the AK Nordic Deposits.

14.3.6 Cash Pool Agreement

- (a) The Borrowers shall procure that funds which according to applicable law shall be held on a separate account or otherwise, shall not be transferred to any Cash Pool Account.
- (b) The Borrowers shall procure that only the Borrowers and the Portfolio Owners under this Agreement are participants under the Cash Pool Agreement.

- (c) From 1 April 2015, only PRA Group Europe AS (formerly Aktiv Kapital AS) and the Borrowers shall be able to draw under the Cash Pool Agreement.

14.3.7 Merger and Acquisitions etc.

- (a) Unless agreed by the Facility Agent (acting on the instructions of the Majority Lenders), no Obligor shall (and the Borrowers shall ensure that no member of the Group will) (i) enter into any amalgamation, de-merger, merger, reconstruction, combination, arrangement and plan of arrangement or similar transaction, or (ii) acquire any business of, or shares or securities of, any company (including but not limited to any shares in an unlimited liability person or the equivalent) or start up or enter into any joint venture or other legal entity irrespective of whether the liabilities of such joint venture or person is unlimited except for:
 - (i) a solvent re-organisation on a solvent basis of Group Companies, always provided that the Borrowers shall be a surviving entity (if the Borrowers is subject to the merger); and
 - (ii) the acquisition of single purpose companies that owns an Approved Loan Portfolio, or companies with a total equity value less than USD 50,000,000 per year (on an aggregate basis for the Group),

provided always that (i) none of the security interests created under the Security Documents are impaired, and (ii) the Borrowers prior to the transaction provide evidence satisfactory to the Facility Agent that the Group will remain in compliance with the financial undertakings set out in clause 14.4 (Financial undertakings) upon completion of the transaction.

14.3.8 Transactions similar to security

No Obligor shall (and the Borrowers shall ensure that no member of the Group will) other than as permitted by the definition of "Permitted Encumbrance":

- (a) sell, transfer or otherwise make a Disposal of any of its assets on terms whereby it is or may be leased to or re-acquired or acquired by a Group Company or any of its related entities; or
- (b) sell, transfer or otherwise make a Disposal of any of its receivables on recourse terms, except for the discounting of bills or notes in the ordinary course of trading on non-recourse terms,

in circumstances where the transaction is entered into primarily as a method of raising finance or of financing the acquisition of an asset.

14.3.9 Accounting and Auditors

No Obligor shall (and the Borrowers shall ensure that no member of the Group will):

- (a) Change its Accounting Reference Date;
- (b) change its Financial Year;
- (c) change its Accounting Principles; or

(d) change its Auditors,

without the Majority Lenders' written consent.

14.3.10 Corporate Structure

No Obligor shall (and the Borrowers shall ensure that no member of the Group will) change the corporate structure as set out in Schedule 7 (Group Structure), except as set out in the Restructuring or as set out in Clause 15.1.8(a) *litra* (B).

14.3.11 Ownership of Portfolio Owners

The Borrowers shall ensure that all Portfolio Owners shall be, directly or indirectly, wholly owned by the Borrowers.

14.3.12 Licencing requirements

Neither the Borrowers, nor any of its Subsidiaries shall engage in business subject to any licence requirement unless such licence(s) are obtained and operated in accordance with the relevant requirements.

14.3.13 Management Agreement

The Management Agreement(s) shall be entered into on arm's length principles containing a compensation level which is acceptable to the Facility Agent.

14.3.14 Compliance with laws

Each Obligor shall (and the Borrowers shall ensure that each member of the Group will) comply in all respects with all laws to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect, each Obligor shall also (and the Borrowers shall ensure that any Subsidiary or other members of the Group will) at all times comply with all Sanctions Laws.

14.3.15 Sanctions

Each Obligor shall ensure that none of them, nor any of their Subsidiaries or other members of the Group, respective directors, officers, employees, and, to the best of their ability agents or representatives or any other persons acting on any of their behalf, is or will become a Restricted Party.

14.4 Financial undertakings

14.4.1 Financial definitions

In this Clause 14.4:

"Aggregate Collections" means the aggregate amount received by the Security Portfolio Owners and/or Collection Companies (without double counting) in the relevant Financial Quarter.

"EBITDA" means, in relation to any twelve (12) months period the aggregate of:

- 1(a) the operating profit of the Borrower on a consolidated basis save for Non-Recourse Companies, for that period (as reported in accordance with the GAAP Principles as the relevant Accounting Principles);

- 1(b) minus Interest income on portfolios during such period of the Borrower on a consolidated basis;
- 1(c) plus negative changes in portfolio collection estimates during such period of the Borrower on a consolidated basis;
- 1(d) minus recovery/shortfall during such period of the Borrower on a consolidated basis, where recovery/shortfall means actual cash collections and the forecasted collections for such period, as determined under the CECL Principles;
- 1(e) minus positive changes in portfolio collection estimates during such period of the Borrower on a consolidated basis;
- 1(f) plus paid in on portfolios with full twelve months trading for a Portfolio Owner during such period of the Borrower on a consolidated basis;
- 1(g) plus depreciation of tangible fixed assets during such period; and
- 1(h) plus amortisation of intangible fixed assets during such period.

“ERC” means the aggregated amount of estimated remaining collections, meaning the gross remaining cash collections which the Security Portfolio Owners anticipate to receive from the Total Loan Portfolios (excluding such Total Loan Portfolios which is subject to or otherwise affected by an Encumbrance permitted under (e) of the definition of Permitted Encumbrance or held by a company over which such an Encumbrance exists) calculated using the ERC Model on a gross basis for a maximum of a rolling hundred and eighty (180) months forward looking period.

“ERC Model” means the formula that the Group uses to calculate the value of its loan portfolios consistent with the CECL Principles.

“ERC Ratio” means the percentage of GIBD to the ERC.

“GIBD” means gross interest bearing debt, including but not limited to (i) the amount of any Lone Star Equity Commitment (ii) any Loan, (iii) any Vendor Financing, (iv) any utilisations under the Overdraft Facility, (v) the AK Nordic Deposits less Earmarked Funds and (vi) any debt as permitted under (g) of the definition of Permitted Indebtedness (where such portfolio is included in the calculation of Approved Loan Portfolios, EBITDA and/or RFT (as the case may be)), but for the avoidance of doubt excluding any Shareholder Loans. For the avoidance of doubt, for the purposes of the calculation of gross interest bearing debt any synthetic assets or liabilities created as a consequence of the following transaction types (carried out in accordance with the Hedging Strategy) shall be treated as indicated in the right hand column of the table below:

Purpose of transaction giving rise to synthetic asset/liability	Treatment of synthetic asset/liability for purposes of GIBD calculation
FX derivative transaction undertaken for the purpose of liquidity management (other than derivative transactions in respect of a Shareholder Loan)	Included in calculation
FX remeasurement hedging (provided remeasurement exposure is a consequence of intra-Group transactions)	Excluded from calculation

"GIBD Ratio" means the ratio of GIBD divided by the aggregate of EBITDA plus RFT (without double counting) calculated in accordance with the principles set out in Schedule 11 (*GIBD Ratio Calculation Principles*).

"RFT" means the pro-forma EBITDA for the remainder of the first twelve months for portfolios without full twelve months trading for a Portfolio Owner, to be based on actual EBITDA for the period the relevant portfolio has been owned by any Portfolio Owner aggregated to reflect pro-forma twelve months trading and further calculated in accordance with the principles set out in Schedule 11 (*GIBD Ratio Calculation Principles*). For the avoidance of doubt RFT cannot be an amount greater than 25% of EBITDA when calculating GIBD Ratio (i.e. RFT cannot constitute more than 20% of pro-forma adjusted EBITDA (including RFT)).

14.4.2 General

The financial undertakings set out in Clause 14.4.5 (*GIBD Ratio*) shall be measured on a consolidated basis for the Group adjusted for the Portfolio Owner's share of the Omega Securitization Fund as set out in Clause 14.2.15(b)(iv) and be calculated in accordance with the Accounting Principles (unless otherwise indicated), and all financial undertakings set out in this Clause 14.4 shall be measured on a quarterly basis with reference to each of the financial statements delivered pursuant to Clause 14.1.1 (*Financial statements*).

14.4.3 ERC Ratio

The Borrowers undertake that, unless the Facility Agent (acting on the instructions of the Majority Lenders) otherwise agrees, the ERC Ratio shall not exceed 45%.

14.4.4 Collection

Aggregate Collections shall constitute minimum 95% of ERC for the same set of portfolios, measured monthly on a quarterly basis. The minimum ratio could be breached up to three times during the lifetime of this Agreement, provided that:

- (a) the ratio does not at any time fall below 90%; and

- (b) such breach does not happen two quarters in a row.

14.4.5 GIBD Ratio

- (a) The Borrowers shall ensure that the GIBD Ratio of the Group (measured on a consolidated basis using the Accounting Principles) at all times, unless the Facility Agent (acting on the instructions of the Majority Lenders) otherwise agrees, does not exceed 3.25:1.0.
- (b) The Borrowers shall not allocate or distribute any dividend during any period where the permitted GIBD Ratio or actual GIBD Ratio exceeds the applicable GIBD Ratio as determined in accordance with paragraph (a) above.

14.4.6 Change in accounting principles

- (a) If during the Security Period the accounting principles applied in the preparation of any of the Accounts shall be different from the Accounting Principles, or if as a result of the introduction or implementation of any accounting standard or any change in them or in any applicable law such accounting principles are required to be changed, the Borrower shall promptly give notice to the Facility Agent of that change, determination or requirement.
- (b) If the Facility Agent or Borrower believes that the financial undertakings set out in this Clause 14.4 need to be amended as a result of any such change, determination or requirement, the Borrower and the Borrower and the Facility Agent, acting on the instructions of the Lenders, shall negotiate in good faith to amend the existing financial undertakings so as to provide the Lenders with substantially the same protections as the financial undertakings set out in this Clause 14.4 (but which are not materially more onerous).
- (c) If the Borrower and the Facility Agent cannot agree on such amended financial undertakings within thirty (30) days of notice from the Borrower pursuant to paragraph (a) above, the Borrower shall prepay any amount outstanding under the Finance Documents within ninety (90) days after the Facility Agent has provided the Borrower with a claim for prepayment.

15. DEFAULT

15.1 Default

Each of the events or circumstances set out in Clause 15 is a Default (whether or not caused by any reason whatsoever outside the control of the Obligor or any other person).

15.1.1 Non-payment

An Obligor does not pay on the due date any amount payable by it under a Finance Document at the place and in the currency and funds in which it is expressed to be payable, unless the failure to pay such amount is due solely to administrative or technical delays and such amount is paid within five (5) Business Days after a notice from the Facility Agent.

15.1.2 Financial Undertakings

Any requirement in Clause 14.4 (*Financial undertakings*) is not satisfied at any time.

15.1.3 Other defaults

Any Obligor breaches any of its obligations under any Finance Document (other than the obligations referred to in Clause 15.1.1 (*Non-payment*) and 15.1.2 (*Financial Undertakings*)) and, if that breach is capable of remedy, it is not remedied within thirty (30) days after notice of that breach has been given by the Facility Agent to the Borrowers.

15.1.4 Breach of representation or warranty

Any representation or warranty made or deemed to be repeated by any Group Company under any Finance Document is incorrect when made or deemed to have been repeated and if that breach is capable of remedy and it is not remedied within thirty (30) days after notice of that breach has been given by the Facility Agent to the Borrowers.

15.1.5 Cross-default

Any Indebtedness (which for the purpose of this clause shall include the Lone Star Equity Commitment) (other than Indebtedness under a Finance Document) of all or any of the Group Companies in excess of, in aggregate, USD 2,000,000 (or equivalent in other currencies):

- (a) is not paid when due or within any applicable grace period;
- (b) is declared to be or otherwise becomes due and payable prior to its specified maturity by reason of a default or an event of default (howsoever described); or
- (c) any creditor of all or any of the Group Companies becomes entitled to declare any such Indebtedness due and payable prior to its specified maturity by reason of a potential default or an event of default (howsoever described).

15.1.6 Attachment or distress

A creditor or encumbrancer attaches or takes possession of, or a distress, execution, sequestration or other process is levied or enforced upon or sued out against, any of the assets of any Group Company (having a value of at least USD 2,000,000 or equivalent in other currencies) and such process is not proved to the reasonable satisfaction of the Majority Lenders to be frivolous or vexatious and is, in any event, not discharged within thirty (30) days of its presentation or challenged on grounds reasonably satisfactory to the Majority Lenders.

15.1.7 Inability to pay debts

Any Group Company:

- (a) suspends payment of its debts or is unable or admits its inability to pay its debts as they fall due;
- (b) begins negotiations with any creditor with a view to the readjustment or rescheduling of any of its Indebtedness (which for the purpose of this clause shall include the Lone Star Equity Commitment) which it would not otherwise be able to pay when it falls due; or
- (c) proposes or enters into any re-organisation, composition or other arrangement for the benefit of its creditors generally or any class of creditors.

- (d) Is over-indebted (überschuldet) within the meaning of Article 725 para.2 of the Swiss Federal Code of Obligations or the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities).
- (e) A moratorium is declared in respect of any indebtedness (which for the purpose of this clause shall include the Lone Star Equity Commitment) of an Obligor. If a moratorium occurs, the ending of the moratorium will remedy any Default caused by that moratorium.

15.1.8 Insolvency proceedings

Any person takes any action or any legal proceedings are started or other steps taken (including the presentation of a petition) for:

- (a) the bankruptcy, liquidation, composition, suspension of payments, compulsory debt settlement, re organisation, winding up or dissolution of any Group Company other than (A) in connection with a solvent reconstruction, the terms of which have been previously approved in writing by the Majority Lenders, (B) solvent liquidation, winding up or dissolution of any Group Company other than the Borrowers, the terms of which have been notified in writing to the Lenders or (C) a winding up or bankruptcy or petition which is proved to the reasonable satisfaction of the Majority Lenders to be frivolous or vexatious and which is, in any event, discharged within fifteen (15) days of its presentation or challenged on grounds reasonably satisfactory to the Facility Agent; or
- (b) the appointment of a trustee, receiver, administrative receiver or similar officer in respect of any Group Company or any of its assets.

15.1.9 Adjudication or appointment

Any adjudication, order or appointment is made under or in relation to any of the proceedings referred to in Clause 15.1.8 (*Insolvency proceedings*).

15.1.10 Analogous proceedings

Any event occurs or proceeding is taken with respect to any Group Company in any jurisdiction to which it is subject which has an effect equivalent or similar to any of the events mentioned in Clause 15.1.7 (*Inability to pay debts*), 15.1.8 (*Insolvency proceedings*) or 15.1.9 (*Adjudication or appointment*).

15.1.11 Cessation of business

Any Group Company suspends, ceases or threatens to suspend or cease to carry on all or a substantial part of its business other than in relation to a merger with another Group Company in accordance with this Agreement or otherwise approved by the Facility Agent as instructed by the Majority Lenders.

15.1.12 Invalidity or repudiation

- (a) Any of the Finance Documents ceases to be in full force and effect in any material respect or (A) ceases to constitute the legal, valid and binding obligation of any Group Company party to it, or (B) in the case of any Security Document, fails to provide valid and enforceable security in favour of the Security Agent and the Finance Parties over the assets in relation to which security is intended to be given.

- (b) It is unlawful for any Group Company to perform any of its material obligations under any of the Finance Documents.
- (c) Any Group Company repudiates any of its obligations under any Finance Document.

15.1.13 Regulatory Proceedings

Any regulatory or other proceedings are instigated by any competition or similar authority (including the Competition Authority and the European Commission) as a result of the Finance Documents having been entered into or implemented and the same has, or is likely to have, a Material Adverse Effect.

15.1.14 Litigation

Any litigation, arbitration or administrative proceeding is commenced by or against any Group Company which is reasonably likely to be resolved against the relevant Group Company and if so resolved, is likely to have a Material Adverse Effect.

15.1.15 Mandatory Liquidation Event

AK Nordic (or any other Group Company holding licenses) does not comply with the relevant licence requirements it is subject to at any one time.

15.1.16 Material adverse change

Any event or series of events occurs which, in the reasonable opinion of the Majority Lenders, has or is likely to have a Material Adverse Effect.

15.1.17 Unlawfulness and invalidity

- (a) It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents or any security created or expressed to be created or evidenced by the Security Documents ceases to be effective or becomes unlawful.
- (b) Any obligation or obligations of any Obligor under any Finance Documents are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lenders under the Finance Documents.
- (c) Any Finance Document ceases to be in full force and effect or any Security created or intended to be created under the Security Documents or any subordination required pursuant to this Agreement ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

15.2 Acceleration, etc.

If a Default occurs the Facility Agent may and shall if so instructed by the Majority Lenders, by notice (a "**Default Notice**") to the Borrowers to cancel the Facility and require the Borrowers immediately to repay each Loan together with accrued interest and all other sums payable under the Finance Documents, whereupon they shall become immediately due and payable. Upon the service of any Default Notice, the Lenders' obligations to each Borrowers under this Agreement shall be terminated and the Commitment of each Lender shall be cancelled, and the Lenders may exercise or direct the Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

16. SET-OFF

Each Agent and each Lender may set off any matured obligation owed by an Obligor under any Finance Document against any obligation (whether or not matured) owed by the relevant Agent or the relevant Lender to that Obligor, or to another Obligor (to the extent permissible pursuant to law) regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the relevant Agent or the relevant Lender may convert either obligation at the relevant spot rate of exchange of the Facility Agent or the relevant Lender, as the case may be, for the purpose of the set off.

17. PRO RATA SHARING

17.1 Redistribution

If any amount owing by an Obligor under this Agreement to a Finance Party (the “**Sharing Lender**”) is discharged by voluntary or involuntary payment, set off or any other manner other than through the Facility Agent in accordance with Clause 19 (*Payments*), then:

- (a) the Sharing Lender shall immediately notify the Facility Agent of the amount discharged and the manner of its receipt or recovery;
- (b) the Facility Agent shall determine whether the amount discharged is in excess of the amount which the Sharing Lender would have received had the amount discharged been received by the Facility Agent and distributed in accordance with Clause 19 (*Payments*);
- (c) the Sharing Lender shall pay the Facility Agent an amount equal to that excess (the “**Excess Amount**”) within five (5) Business Days of demand by the Facility Agent;
- (d) the Facility Agent shall treat the Excess Amount as if it were a payment by an Obligor under Clause 19 (*Payments*) and shall pay the Excess Amount to the Finance Parties (other than the Sharing Lender) in accordance with such clause; and
 - (i) on a redistribution of payments under Clause 17.1(d) above, the Sharing Lender shall be subrogated to the rights of each Finance Party which have shared in the redistribution;
 - (ii) if and to the extent that the Sharing Lender is not able to rely on its rights under Clause 17.1 (*Redistribution*) above, the relevant Obligor shall be liable to the Sharing Lender for a debt equal to the Excess Amount which is immediately due and payable;
 - (iii) if and to the extent that the Sharing Lender is not able to rely on its rights under Clause 17.1(d)(i) and 17.1(d)(ii) above, each Finance Party (other than the Sharing Lender) hereby agrees to indemnify the Sharing Lender against any loss which the Sharing Lender may subsequently suffer by reason of this Clause 17 including but not limited to any such redistribution having to be refunded or having made such payment of the Excess Amount to the Facility Agent or any loss resulting from the Sharing Lender not being able to claim its pro rata share of the Loan.

17.2 Legal proceedings

Notwithstanding Clause 17.1 (*Redistribution*), no Sharing Lender shall be obliged to share any Excess Amount which it receives or recovers pursuant to legal proceedings taken by it to recover any sums owing to it under this Agreement with any other Finance Party which has a legal right to, but does not, either join in such proceedings or commence and diligently pursue separate proceedings to enforce its rights, unless the proceedings instituted by the Sharing Lender are instituted by it without prior notice having been given to such Finance Party through the Facility Agent and an opportunity to such Finance Party to join in such proceedings.

17.3 Reversal of redistribution

If any Excess Amount subsequently has to be wholly or partly refunded to an Obligor by a Sharing Lender which has paid an amount equal to that Excess Amount to the Facility Agent under Clause 17.1 (*Redistribution*), each Finance Party to which any part of that amount was distributed shall on request from the Sharing Lender repay to the Sharing Lender that Finance Party's proportionate share of the amount which has to be so refunded by the Sharing Lender.

17.4 Information

Each Finance Party shall on request supply to the Facility Agent such information as the Facility Agent may from time to time request for the purpose of this Clause 17.

18. THE AGENTS, THE MANDATED LEAD ARRANGERS, THE BOOKRUNNERS AND THE LENDERS

18.1 Appointment and duties

18.1.1 Each Lender irrevocably appoints the Agents to act as its agents in connection with the Facility and the Finance Documents and irrevocably authorises each Agent on its behalf to perform the duties and to exercise the rights, powers and discretions that are specifically delegated to it under or in connection with the Finance Documents together with any other incidental rights, powers and discretions.

18.1.2 An Agent shall have no duties or responsibilities except those expressly set out in the Finance Documents. As to any matters not expressly provided for, the Agent shall act in accordance with the instructions of the Majority Lenders (but in the absence of any such instructions shall not be obliged to act). Any such instructions, and any action taken by each Agent in accordance with those instructions, shall be binding upon all the Lenders.

18.1.3 Each Agent may:

- (a) act in an agency, fiduciary or other capacity on behalf of any other Lenders or financial institutions providing facilities to any Group Company or any associated company of a Group Company, as freely in all respects as if it had not been appointed to act as agent for the Lenders under this Agreement and without regard to the effect on the Lenders of acting in such capacity; and
- (b) subscribe for, hold, be beneficially entitled to or dispose of shares or securities, or options or other rights to and interests in shares or securities in any Group Company or any associated company of a Group Company (in each case, without liability to account).

18.1.4 The Security Agent is hereby irrevocably authorised by the Facility Agent, the Bookrunners and the Lenders to sign and execute on behalf of such party all and any Finance Document including any appendices or documents relating thereto. To that effect, each of the Lenders may grant as many private and public documents (including certificates and notarial powers of attorney duly apostilled) and comply with as many formalities as may be necessary or convenient under each relevant jurisdiction.

18.1.5 The Facility Agent is hereby irrevocably authorised by the Security Agent, the Bookrunners and the Lenders to sign and execute on behalf of such party all and any Finance Document including any appendices or documents relating thereto. To that effect, each of the Lenders may grant as many private and public documents (including certificates and notarial powers of attorney duly apostilled) and comply with as many formalities as may be necessary or convenient under each relevant jurisdiction.

18.1.6 In relation to any Polish Obligor and/or Security granted by any Party incorporated under the laws of Poland the Lenders hereby appoint the Security Agent to act as the pledge administrator (*administrator zastawu*) in the meaning of the Polish Act on Registered Pledge and the Pledge Register as of 6 December 1996 (Journal of Laws of 1996, No. 149, item 703, as amended) in respect of any registered pledge(s) to be established in order to secure the receivables of the Lenders under the this Agreement. The Security Agent is hereby irrevocably authorised by the Lenders to sign and execute on behalf of the Lenders all and any agreements on registered pledge(s) governed by Polish law and exercising the rights and obligations of the pledgee in its own name but on behalf of all Lenders. This provision 18.1.6. shall be governed by and construed in accordance of the Polish law.

18.2 Payments

18.2.1 Each Agent shall promptly account to the lending office of each Lender for such Lender's due proportion of all sums received by the Agent for such Lender's account, whether by way of repayment or prepayment of principal or payment of interest, fees or otherwise.

18.2.2 The Facility Agent shall maintain a memorandum account showing the principal amount of each Loan outstanding under this Agreement and the amount of each Lender's Participation in each Loan.

18.2.3 Each Lender confirms in favour of each Agent that, unless it notifies the Agent to the contrary, it will be the beneficial owner of any interest paid to it under this Agreement.

18.3 Default

An Agent shall not be obliged to monitor or enquire as to whether or not a Default or Potential Default has occurred. Each Agent shall be entitled to assume that no Default or Potential Default has occurred unless it receives notice to the contrary from an Obligor or any Finance Party describing the Default or Potential Default and stating that such notice is a "Default Notice" or unless it is aware of a payment default under this Agreement, in which case it shall promptly notify each Lender.

18.4 Reliance

Each Agent may:

- (a) rely on any communication or document believed by it to be genuine and correct and to have been communicated or signed by the person by whom it purports to be communicated or signed; and
- (b) engage, pay for and rely on the advice of any professional advisers selected by it given in connection with the Finance Documents or any of the matters contemplated by the Finance Documents,

and shall not be liable to any Party for any of the consequences of such reliance.

18.5 Legal proceedings

- 18.5.1 No Agent shall be obliged to take or commence any legal action or proceeding against an Obligor or any other person arising out of or in connection with the Finance Documents until it shall have been indemnified or secured to its satisfaction against all costs, claims and expenses (including any costs award which may be made against it as a result of any such legal action or proceeding not being successful) which it may expend or incur in such legal action or proceeding.
- 18.5.2 Each Agent may refrain from doing anything which might in its opinion constitute a breach of any law or any duty of secrecy or confidentiality or be otherwise actionable at the suit of any person.

18.6 No liability

- 18.6.1 None of the Facility Agent, the Security Agent, the Bookrunners and/or the Mandated Lead Arrangers shall be responsible for any statements, representations or warranties in the Finance Documents or for any information supplied or provided to any Lender by the Facility Agent or the Security Agent or the Bookrunners in respect of an Obligor or any other person or for any other matter relating to the Finance Documents or for the execution, genuineness, validity, legality, enforceability or sufficiency of such documents or any other document referred to in the Finance Documents or for the recoverability of any Loan or any other sum to become due and payable under the Finance Documents.
- 18.6.2 None of the Facility Agent, the Security Agent, the Bookrunners and/or the Mandated Lead Arrangers nor any of their respective agents shall be liable for any action taken or not taken by any of them under or in connection with the Finance Documents unless directly caused by its or their gross negligence or wilful misconduct.

18.7 Credit decisions

- 18.7.1 Each Lender:
 - (a) acknowledges that it has, independently and without reliance on any Agent, made its own analysis of the transaction contemplated by, and reached its own decision to enter into, this Agreement and made its own investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Obligors and any surety for the Obligors' obligations; and
 - (b) shall continue to make its own independent appraisal of the creditworthiness of the Obligors and any surety for the Obligors' obligations.
- 18.7.2 Each Lender shall, independently and without reliance on any Agent, make its own decision to take or not take action under the Finance Documents.

18.8 Information

- 18.8.1 The Facility Agent shall promptly provide the Lenders and/or the Security Agent with all information and copies of all notices which are given to it and which by the terms of this Agreement are to be provided or given to the Lenders and/or the Security Agent, as the case may be.
- 18.8.2 Except as provided in this Agreement, the relevant Agent shall be under no duty or obligation:
- (a) either initially or on a continuing basis, to provide any Lender with any credit information or other information with respect to the financial condition of an Obligor or which is otherwise relevant to the Facility; or
 - (b) to request or obtain any certificate, document or information from an Obligor unless specifically requested to do so by a Lender in accordance with this Agreement.

18.9 Relationship with Lenders

- 18.9.1 In performing its functions and duties under this Agreement, an Agent shall act solely as the agent for the Lenders and except as provided in the Finance Documents shall not be deemed to be acting as trustee for any Lender. No Agent shall assume or be deemed to have assumed any obligation as agent for, or any relationship of agency with, any Obligor.
- 18.9.2 Neither the Facility Agent, the Security Agent nor any Lender shall be under any liability or responsibility of any kind to an Obligor or any other Lender arising out of or in relation to any failure or delay in performance or breach by an Obligor or any other Lender of any of its or their respective obligations under the Finance Documents.

18.10 The Agents' position

- 18.10.1 With respect to its own Participation in the Facility, an Agent shall have the same rights and powers under and in respect of the Finance Documents as any other Lender and may exercise those rights and powers as though it were not also acting as agent under this Agreement or any other Finance Document. An Agent may, without liability to account, accept deposits from, lend money to and generally engage in any kind of lending finance, advisory, trust or other business with or for an Obligor as if it were not the agent for other persons under any Finance Documents.
- 18.10.2 Each Agent may retain for its own use and benefit (and shall not be liable to account to any Lender for all or any part of) any sums received by it by way of agency or management or arrangement fees or by way of reimbursement of expenses incurred by it.

18.11 Indemnity

Each Lender shall immediately on demand indemnify any Agent (to the extent not reimbursed by the Obligors) rateably according to that Lender's Participation in the Facility (or, if no Loan shall then be outstanding, its Commitment) from and against all liabilities, losses and expenses of any kind or nature whatsoever (except in respect of any agency, management or other fee due to the Facility Agent or the Security Agent) which may be incurred by the Facility Agent or the Security Agent in its capacity as agent under the Finance Documents or in any way relating to or arising out of the Finance Documents or any action taken or omitted by the Facility Agent or the Security Agent in enforcing or preserving the rights of the Lenders, the Facility Agent or the Security Agent under the Finance Documents, provided that no Lender

shall be liable for any portion of such liabilities, losses or expenses resulting from the Facility Agent's or the Security Agent's gross negligence or wilful misconduct.

18.12 Resignation and Removal

- 18.12.1 Each Agent may resign by giving at least sixty (60) days' notice to the Borrowers and each Lender. Upon service of a notice of resignation by the relevant Agent, the Majority Lenders may select any Lender or other financial institution as successor Agent.
- 18.12.2 If no Lender or other financial institution selected by the Majority Lenders shall have accepted such appointment within forty (40) days after the giving of a notice of resignation then the resigning Agent may, appoint any Lender or other financial institution with an office in Oslo or London (or another city agreed by the Majority Lenders) as successor Agent.
- 18.12.3 The resignation of an Agent and the appointment of any successor the Agent shall both become effective only upon the successor Agent notifying the resigning Agent, the Borrowers and each Lender that it accepts its appointment. On such notification:
- (a) the resigning Agent shall be discharged from its obligations and duties as Agent under the Finance Documents but it shall continue to be able to rely on the provisions of this Clause 18 in respect of all matters relating to the period of its appointment; and
 - (b) the successor Agent shall assume the role of Agent and shall have all the rights, powers, discretions and duties which the Agent has under the Finance Documents.
- 18.12.4 The resigning Agent shall make available to the successor Agent all records and documents held by it as Agent and shall co-operate with the successor Agent to ensure an orderly transition. Additionally, the Parties will enter as many private and public documents as may be necessary for the Security Documents to remain as security in favour of the Finance Parties and/or the Lenders under this Agreement from time to time.

18.13 Distribution of proceeds of enforcement

- 18.13.1 In this Clause 18.13:

"Lender Outstandings" means, in respect of a Lender, the aggregate of:

- (a) all amounts actually and contingently due to it under this Agreement; and
- (b) all amounts actually and contingently due to it in respect of the Hedging Agreements.

"Total Outstandings" means the aggregate amount of all Lender Outstandings.

- 18.13.2 On the enforcement of all or any of the Security Documents any amounts to be distributed to each Lenders shall be distributed with an amount equal to the remaining proceeds multiplied by (Lender Outstandings of such Lender divided by Total Outstandings) where Lender Outstandings and the Total Outstandings are all calculated as at the date of distribution and after the provisions of Clauses 17.1 (*Redistribution*) and 17.3 (*Reversal of redistribution*) have been complied with.
- 18.13.3 Where any part of any Lender Outstandings is denominated in a currency other than USD, any calculation for the purposes of this Clause 18.13 shall be made on the basis of the USD Equivalent of that part calculated at the date of distribution. However, an actual distribution

may, in the Facility Agent's discretion, be made in the currencies of the Lender Outstandings and for this purpose the Facility Agent is authorised to convert any proceeds of enforcement (including the proceeds of any previous conversion under this Clause) from their existing currency into any other currency at such rate of exchange and at such time as the Facility Agent thinks fit.

18.13.4 The Facility Agent shall notify each Lender of any proposed distribution and the proposed date of distribution and each Lender shall provide to the Facility Agent a calculation of what is due to it in respect of the sums referred to in Clause 18.13.1. The Facility Agent shall send copies of all such calculations to each Lender and shall make the distributions on the basis of such calculations.

18.13.5 If any future or contingent liability included in the calculation of Lender Outstandings finally matures, or is settled, for less than the future or contingent amount provided for in that calculation, the relevant Lender shall notify the Facility Agent of that fact and such adjustment shall be made by payment by that Lender to the Facility Agent for distribution amongst the Lenders as may be necessary to put the Lenders into the position they would have been in (but taking no account of the time cost of money) had the original distribution been made on the basis of the actual as opposed to the future or contingent liability.

18.13.6 The Facility Agent may, at its discretion, accumulate proceeds of enforcement in an interest bearing account in its own name until there is a minimum of USD 5,000,000 to distribute under Clause 18.13.2.

18.14 The Bookrunners and Mandated Lead Arrangers

Except as specifically provided in this Agreement the Bookrunners or the Mandated Lead Arrangers have no obligation of any kind to any other Party and shall not have any liability whatsoever to any other Party under or in connection with any Finance Document.

19. PAYMENTS

19.1 Place and time

All payments by an Obligor or a Lender under this Agreement shall be made to the Facility Agent to its account at such office or Lender at such time as the Facility Agent may notify the Obligors or the Lenders for this purpose.

19.2 Funds

All payments to the Facility Agent under this Agreement shall be made for value on the due date in freely transferable and readily available funds.

19.3 Distribution

19.3.1 Each payment received by the Facility Agent under this Agreement for another Party shall, subject to Clauses 19.3.2 and 19.3.3, be made available by the Facility Agent to that Party by payment to its account with such office or Lender as it may notify to the Facility Agent for this purpose by not less than three (3) Business Days' prior notice.

19.3.2 The Facility Agent shall apply any amount received by it for an Obligor in or towards payment of any amount due from that Obligor or, so far as legally permissible, any other Obligor under this Agreement.

19.3.3 Where a sum is to be paid to the Facility Agent under this Agreement for another Party, the Facility Agent is not obliged to pay that sum to that Party until it has established that it has actually received that sum. The Facility Agent may, however, assume that the sum has been paid to it in accordance with this Agreement, and, in reliance on that assumption, make available to that Party a corresponding amount. If the sum has not been made available but the Facility Agent has paid a corresponding amount to another Party, that Party shall immediately on demand by the Facility Agent refund the corresponding amount together with interest on that amount from the date of payment to the date of receipt, calculated at a rate determined by the Facility Agent to reflect its cost of funds.

19.4 Business Days

If a payment under this Agreement is due on a day which is not a Business Day, the due date for that payment shall instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

19.5 Currency

In this Agreement:

- (a) all payments by an Obligor in respect of a Loan, whether of interest or principal, shall be made in the currency (or the denomination of the currency) in which that Loan is denominated;
- (b) all payments relating to costs, losses, expenses or Taxes shall be made in the currency in which the relevant costs, losses, expenses or Taxes were incurred; and
- (c) any other amount payable under this Agreement shall be made in USD or the relevant currency (as applicable).

19.6 Accounts as evidence

Each Lender shall maintain in accordance with its usual practice an account which shall, as between the Borrowers and that Lender, be prima facie evidence of the amounts from time to time advanced by, owing to, paid and repaid to that Lender under this Agreement.

19.7 Partial payments

19.7.1 If the Facility Agent receives a payment insufficient to discharge all the amounts then due and payable by an Obligor under this Agreement, the Facility Agent shall apply that payment towards the obligations of that Obligor in the following order:

- (a) first, in or towards payment of any unpaid costs and expenses of the Facility Agent and/or the Security Agent under this Agreement or the Security Documents;
- (b) second, in or towards payment *pro rata* of any accrued interest due by that Obligor but unpaid under this Agreement;
- (c) third, in or towards payment *pro rata* any other sum due by that Obligor but unpaid under the Finance Documents.

19.7.2 The Facility Agent shall, if so directed by all the Lenders, vary the order set out in Clauses 19.7.1(b) to 19.7.1(c).

19.7.3 Clauses 19.7.1 and 19.7.2 shall override any appropriation made by any Obligor.

19.8 Set-off and counterclaim

All payments by any Obligor under this Agreement shall be made without set off or counterclaim.

19.9 Grossing-up

19.9.1 Subject to Clause 19.9.2, all sums payable to a Finance Party pursuant to or in connection with any Finance Document shall be paid in full free and clear of all deductions or withholdings whatsoever except only as may be required by law.

19.9.2 If any deduction or withholding is required by law in respect of any payment due from an Obligor to a Finance Party pursuant to or in connection with any Finance Document, that Obligor shall:

- (a) ensure or procure that the deduction or withholding is made and that it does not exceed the minimum legal requirement therefor;
- (b) pay, or procure the payment of, the full amount deducted or withheld to the relevant Taxation authority or other authority in accordance with the applicable law;
- (c) increase the payment in respect of which the deduction or withholding is required so that the net amount received by the payee (which expression when used in this Clause 19.9.2 shall mean each Finance Party) after the deduction or withholding (and after taking account of any further deduction or withholding which is required to be made as a consequence of the increase) shall be equal to the amount which the payee would have been entitled to receive in the absence of any requirement to make any deduction or withholding; and
- (d) promptly deliver or procure the delivery to the relative payee of receipts evidencing each deduction or withholding which has been made.

19.9.3 If the Facility Agent is obliged to make any deduction or withholding from any payment to any Lender (an “**Agency Payment**”) which represents an amount or amounts received by that Agent from an Obligor under any Finance Document, that Obligor shall pay directly to that Lender such sum (an “**Agency Compensating Sum**”) as shall, after taking into account any deduction or withholding which that Obligor is obliged to make from the Agency Compensating Sum, enable that Lender to receive, on the due date for payment of the Agency Payment, an amount equal to the Agency Payment which that Lender would have received in the absence of any obligation to make any deduction or withholding.

19.9.4 If any Lender determines that it has received, realised, utilised and retained a Tax benefit by reason of any deduction or withholding in respect of which an Obligor has made an increased payment or paid an Agency Compensating Sum under this Clause 19.9, that Lender shall, provided that each Finance Party have received all amounts which are then due and payable by the Obligors under any Finance Document, pay to that Obligor (to the extent that that Lender can do so without prejudicing the amount of the benefit or repayment and the right of that Lender to obtain any other benefit, relief or allowance which may be available to it) such amount, if any, that will leave that Lender in no worse position than it would have been in if the deduction or withholding had not been required, provided that:

- (a) each Lender shall have an absolute discretion as to the time at which and the order and manner in which it realises or utilises any Tax benefit and shall not be obliged to

arrange its business or its Tax affairs in any particular way in order to be eligible for any credit or refund or similar benefit;

- (b) no Lender shall be obliged to disclose any information regarding its business, Tax affairs or Tax computations;
- (c) if a Lender has made a payment to an Obligor pursuant to this Clause 19.9.4 on account of any Tax benefit and it subsequently transpires that that Lender did not receive that Tax benefit, or received a lesser Tax benefit, that Obligor shall, on demand, pay to that Lender such sum as that Lender may determine as being necessary to restore its after-tax position to that which it would have been had no adjustment under this Clause 19.9.4 been made.

19.9.5 No Lender shall be obliged to make any payment under Clause 19.9.4 if, by doing so, it would contravene the terms of any applicable law or any notice, direction or requirement of any governmental or regulatory authority (whether or not having the force of law).

19.9.6 If an Obligor is required to make an increased payment for the account of a Lender under Clause 19.9.2, then, without prejudice to that obligation and so long as such requirement exists and subject to the Borrowers giving the Facility Agent and that Lender not less than ten (10) days' prior notice (which shall be irrevocable), the Obligors may prepay all, but not part, of that Lender's Participation in the Loan together with accrued interest on the amount prepaid. Any such prepayment shall be subject to Clause 24.1 (*Breakage costs indemnity*). On any such prepayment, the Commitment of the relevant Lender shall be automatically cancelled.

20. AMENDMENTS AND WAIVERS

20.1 Majority Lenders

20.1.1 Subject to Clause 20.2 (*All Lenders*), any term of any Finance Document, save for any Finance Documents relating thereto, may be amended or waived with the written agreement of the Borrowers and the Majority Lenders. The Facility Agent and the Security Agent (as applicable) may effect and are irrevocably authorised, on behalf of the Finance Parties, to execute an amendment or waiver to which the Majority Lenders have agreed.

20.1.2 The Facility Agent shall promptly notify the Borrowers and each Lender of any amendment or waiver effected under Clause 20.1.1 and any such amendment or waiver shall be binding on the Borrowers, each Obligor, each Group Company and each Finance Party.

20.2 All Lenders

An amendment or waiver which relates to:

- (a) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);
- (b) an extension of the date for, or a decrease in an amount or a change in the currency of, any payment under any Finance Document;
- (c) an increase in a Lender's Commitment (other than through utilisation of the Accordion Option);
- (d) a term of any Finance Document which expressly requires the consent of each Lender; or

- (e) Clauses 6 (*Interest*), 7 (*Reduction, Repayment, prepayment and cancellation*), 17 (*Pro rata sharing*), or this Clause 20 (*Amendments and Waivers*),

may not be effected without the prior written consent of each Lender.

20.3 Security Agent

An amendment or waiver which affects the rights and/or obligations of the Security Agent in that capacity may not be effected without the prior written consent of the Security Agent.

20.4 Replacement of Screen Rate

- (a) If a Screen Rate Replacement Event has occurred in relation to any Screen Rate for a currency which can be selected for a Loan, any amendment or waiver which relates to
- (i) providing for the use of a Replacement Benchmark in relation to that currency in place of that Screen Rate; and
 - (ii)
 - (A) aligning any provision of any Finance Document to the use of that Replacement Benchmark;
 - (B) enabling that Replacement Benchmark to be used for the calculation of interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Benchmark to be used for the purposes of this Agreement);
 - (C) implementing market conventions applicable to that Replacement Benchmark;
 - (D) providing for appropriate fallback (and market disruption) provisions for that Replacement Benchmark; or
 - (E) adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Benchmark (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on the basis of that designation, nomination or recommendation),

may be made with the consent of the Agent (acting on the instructions of the Majority Lenders) and the Borrower.

- (b) If, as at 30 September 2022 this Agreement provides that the rate of interest for a Loan in any currency is to be determined by reference to the Screen Rate for LIBOR:
- (i) a Screen Rate Replacement Event shall be deemed to have occurred on that date in relation to the Screen Rate for that currency; and
 - (ii) the Agent, (acting on the instructions of the Majority Lenders) and the Obligors shall enter into negotiations in good faith with a view to agreeing the use of a

Replacement Benchmark in relation to that currency in place of that Screen Rate from and including a date no later than 30 December 2022 with the terms relating to the use of that Replacement Benchmark.

(c) In this Clause 20.4:

“Relevant Nominating Body” means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board.

“Replacement Benchmark” means benchmark rate which is:

(a) formally designated, nominated or recommended as the replacement for a Screen Rate by:

- (i) the administrator of that Screen Rate (provided that the market or economic reality that such benchmark rate measures is the same as that measured by that Screen Rate); or
- (ii) any Relevant Nominating Body,

and if replacements have, at the relevant time, been formally designated, nominated or recommended under both paragraphs, the “Replacement Benchmark” will be the replacement under paragraph (ii) above;

(b) in the opinion of the Majority Lenders and the Borrower, generally accepted in the international or any relevant domestic syndicated loan markets as the appropriate successor to a Screen Rate; or

(c) in the opinion of the Majority Lenders and the Borrower, an appropriate successor to a Screen Rate.

“Screen Rate Replacement Event” means, in relation to a Screen Rate:

(a) the methodology, formula or other means of determining that Screen Rate has, in the opinion of the Majority Lenders, and the Borrower materially changed;

(b)

(i)

(A) the administrator of that Screen Rate or its supervisor publicly announces that such administrator is insolvent; or

(B) information is published in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body which reasonably confirms that the administrator of that Screen Rate is insolvent,

provided that, in each case, at that time, there is no successor administrator to continue to provide that Screen Rate;

- (ii) the administrator of that Screen Rate publicly announces that it has ceased or will cease, to provide that Screen Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide that Screen Rate;
 - (iii) the supervisor of the administrator of that Screen Rate publicly announces that such Screen Rate has been or will be permanently or indefinitely discontinued; or
 - (iv) the administrator of that Screen Rate or its supervisor announces that that Screen Rate may no longer be used; or
- (c) in the opinion of the Majority Lenders and the Borrower, that Screen Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement.

20.5 No implied waivers; remedies cumulative

The rights of the Finance Parties under the Finance Documents:

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of its rights under the general law; and
- (c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any such right is not a waiver of that right.

21. MISCELLANEOUS

21.1 Severance

If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or
- (b) the legality, validity or enforceability in any other jurisdiction of that or any other provision of this Agreement.

21.2 Counterparts

This Agreement may be executed in any number of counterparts and this shall have the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

21.3 Obligations Binding

The obligations of the Parties who have executed this Agreement shall not be affected by the fact that not all of the Parties have validly executed this Agreement.

22. NOTICES

22.1 Method

Each notice or other communication to be given under this Agreement shall be given in writing in English and, unless otherwise provided, shall be made by e-mail or letter.

22.2 Delivery

Any notice or other communication to be given by one Party to another under this Agreement shall (unless one Party has by ten (10) days' notice to the other Party specified another *address*) be given to that other Party, in the case of the Borrowers, the Obligors, the Facility Agent, the Security Agent, at the respective addresses given in Clause 22.3 (*Addresses*), in the case of the Lenders, at the respective addresses given in Schedule 1 or, as the case may be, the schedule to its relevant Transfer Certificate and in the case of any Borrower or Obligor (other than the Borrowers) as set out in the schedule to its relevant Accession Agreement.

22.3 Addresses

The address and e-mail address number of the Borrowers, the Facility Agent, and the Security Agent:

(a) The Borrowers:

PRA Group Europe Holding S.à r.l.
42-44, Avenue de la Gare
L-1610 Luxembourg
Luxembourg
Attention: Treasury Manager in PRA Group Europe
E-mail: tom-andre.westbohansen@pragroup.no

(b) The Facility Agent:

DNB Bank ASA
N-0021 Oslo, Norway
Attention: Agency Syndicated Loans
E-mail: agentdesk@dnb.no

(c) The Security Agent:

DNB Bank ASA
N-0021 Oslo, Norway
Attention: Agency Syndicated Loans
E-mail: agentdesk@dnb.no

22.4 Deemed receipt

22.4.1 Any notice or other communication given by any Agent shall be deemed to have been received:

- (a) if sent by e-mail, when received in a readable form and only if addressed in such manner as the Agent shall specify for this purpose;
- (b) in the case of a notice given by hand, on the day of actual delivery; and
- (c) if posted, on the second Business Day or, in the case of mail from one country to another country, the fifth Business Day following the day on which it was despatched by first class mail postage prepaid or, as the case may be, airmail postage prepaid,

provided that a notice given in accordance with the above but received on a day which is not a Business Day or after normal business hours in the place of receipt shall be deemed to have been received on the next Business Day.

22.4.2 Any notice or other communication given to any Agent shall be deemed to have been given only on actual receipt.

22.5 Notices through Facility Agent

Any notice or other communication from or to an Obligor under this Agreement shall be sent through the Facility Agent.

23. ASSIGNMENTS, TRANSFERS AND ACCESSION

23.1 Benefit of Agreement

This Agreement shall be binding upon and inure to the benefit of each Party and its successors and assigns.

23.2 Assignments and transfers by Obligors

No Obligor shall be entitled to assign or transfer any of its rights or obligations under the Finance Documents.

23.3 Assignments by Lenders

23.3.1 Any Lender may assign or transfer, in accordance with this Clause 23.3, any of its rights and obligations under this Agreement to (i) any other Lender, (ii) any company being controlled by any Lender or under the control of the same legal entity as any Lender (where control shall have the same meaning mutatis mutandis as set out in the definition of "Subsidiary"), (iii) to any other financial institution upon the occurrence of a Default, or (iv) to any other financial institution, in a minimum amount of USD 2,000,000, provided, in each case, that such assignment does not result in a breach of the Swiss Ten Non-Bank Rule, and provided in each case that:

- (a) The consent of the Borrowers is required for any assignment or transfer, unless the Lender Transferee (as defined in Clause 23.3.2) falls within one of the categories set out under (i), (ii) or (iii) above.
- (b) The consent of the Borrowers must not be unreasonably withheld or delayed.
- (c) The consent of the Borrowers to an assignment or transfer may not be withheld solely because the assignment or transfer is to a person who is a Swiss Non-Qualifying Bank, provided that each assignment must be in compliance with the Swiss Ten Non-Bank Rule.

The Borrowers will be deemed to have given their consent three Business Days after the Borrowers were given notice of the request unless the Lender Transferee (as defined in Clause 23.3.2) has been expressly refused by the Borrowers within that time.

23.3.2 If any Lender (the "**Existing Lender**") wishes to assign or transfer all or any part of its Commitment or Participation in the Facility to another Lender or other financial institution (the "**Lender Transferee**"), such transfer may be effected by delivery to, and the execution by, the Facility Agent or the Security Agent (as applicable) of a duly completed Transfer Certificate and the transfer must be done on a pro rata basis.

23.3.3 On the date specified in the Transfer Certificate:

- (a) to the extent that in the Transfer Certificate the Existing Lender seeks to assign its Commitment or Participation in the Facility or interest under any Finance Document, the Obligors and the Existing Lender shall each be released from further obligations to each other under this Agreement and their respective rights against each other shall be cancelled (such rights and obligations being referred to in this Clause 23.3.3 as “**Discharged Rights and Obligations**”);
- (b) the Obligors and the Lender Transferee shall each assume obligations towards each other and/or acquire rights against each other which differ from the Discharged Rights and Obligations only insofar as the Obligors and the Lender Transferee have assumed and/or acquired the same in place of the Obligors and the Existing Lender;
- (c) each of the Parties and the Lender Transferee shall acquire the same rights and assume the same obligations among themselves as they would have acquired and assumed had the Lender Transferee been a party under this Agreement as a Lender with the rights and/or the obligations acquired or assumed by it as a result of the transfer;
- (d) a proportion of the Existing Lender's rights under the Security Documents, equal to the proportion of the Existing Lender's rights under this Agreement being transferred, shall automatically be transferred to the Lender Transferee; and
- (e) the Existing Lender's rights and benefits under the Security Documents shall be transferred by the relevant and necessary transfer certificates.

23.3.4 The Facility Agent and/or the Security Agent (as applicable) shall promptly complete a Transfer Certificate on request by an Existing Lender and upon payment by the Lender Transferee of a fee of USD 3,000 to the Facility Agent. Each Party irrevocably authorises each Agent to execute any duly completed Transfer Certificate on its behalf provided that such authorisation does not extend to the execution of a Transfer Certificate on behalf of either the Existing Lender or the Lender Transferee named in the Transfer Certificate.

23.3.5 The Facility Agent and/or the Security Agent (as applicable) shall promptly notify the Borrowers of the receipt and execution on its behalf by the relevant Agent of any Transfer Certificate.

23.3.6 Each Obligor undertakes to sign and execute any Transfer Certificate or other document necessary to complete a transfer of any interest under any Finance Document if so requested by the Facility Agent or the Security Agent.

23.4 Further assurance for assignments or transfers

23.4.1 The Obligors undertake to procure that in relation to any assignment by a Lender of all or part of its Commitment and/or its Participation in the Facility under this Agreement, the Group Companies shall at the request of the relevant assignor or transferor execute (at the cost and expense of the Borrowers) such documents as may be reasonably necessary to ensure that the relevant assignee or, as the case may be, transferee, attains the benefit of the Security Documents.

23.4.2 Without prejudice to Clause 23.3.5, each Lender shall notify the Agents and Borrowers (on behalf of itself and the other Obligors) of any assignment or transfer by such Lender of all or part of its Commitment or Participation in the Facility or interest under the Finance Documents.

23.4.3 In the case of any assignment, transfer or novation by an Existing Lender to a Lender Transferee of all or any part of its rights and obligations under the Finance Documents, the Existing Lender and the Lender Transferee agree that, for the purpose of Article 1278 of the Luxembourg Civil Code (to the extent applicable), the securities created under the Finance Documents and securing the rights assigned, transferred or novated thereby will be preserved for the benefit of the Lender Transferee.

23.5 Consequences of assignment

The Obligors shall be under no obligation to pay any greater amount under this Agreement following an assignment or transfer by a Lender of any of its rights or obligations pursuant to this Clause 23 if, in the circumstances existing at the time of such assignment or transfer, such greater amount would not have been payable but for the assignment or transfer.

23.6 Disclosure of information

The Facility Agent, the Security Agent, each Bookrunner and each Lender may disclose to each other, to their professional advisers and to any person with whom they are proposing to enter, or have entered into, any kind of assignment, transfer, participation or other agreement in relation to this Agreement or any other Finance Document provided such person has entered into an appropriate confidentiality undertaking in writing, any information which the Facility Agent, the Security Agent, that Bookrunner or that Lender has acquired under or in connection with any Finance Document.

23.7 Accession

The accession to this Agreement of each additional Guarantor shall take effect on the Facility Agent countersigning the relevant Accession Agreement which they are hereby irrevocably authorised to do by the Parties to this Agreement. The Parties hereto agree that this authorisation is given to secure the interest of the Parties under this Agreement and is accordingly irrevocable. After the execution of an Accession Agreement the acceding party shall be bound by this Agreement in relation to the other Parties and the Parties to this Agreement, not being the acceding party, shall be bound in relation to the acceding party.

23.8 Exposure transfer transactions

Nothing herein restricts the Lenders from entering into any arrangement with another person under which such Lender substantially transfers its credit risk exposure under this Agreement to that other person, unless under such arrangement (and for the duration of such arrangement):

- (a) the relationship between the Lender and that other person is that of a debtor and creditor (including in the event of the bankruptcy or similar event of the Lender or an Obligor);
- (b) the other person will have no proprietary interest in the benefit of this Agreement or in any monies received by the Lender under or in relation to this Agreement;

- (c) the other person will under no circumstances (other than pursuant to a transfer or assignment permitted under Clause 23.3.1) be subrogated to, or substituted in respect of, the Lender's claims under this Agreement; and
- (d) the other person will under no circumstances (other than pursuant to a transfer or assignment permitted under Clause 23.3.1) otherwise have any contractual relationship with, or rights against, an Obligor under or in relation to this Agreement.

23.9 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 23, each Lender may, without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other security to secure obligations to a federal reserve or central bank; and
- (b) in the case of any Lender which is a fund, any charge, assignment or other security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or security shall:

- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or security for the Lender as a party to any of the Finance Documents
- (ii) require any payments to be made by an Obligor other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents; or
- (iii) result in a breach of the Swiss Ten Non-Bank Rule.

23.10 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
 - (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of the Borrower;
 - (iii) the performance and observance by the Borrower of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of the Borrower whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
 - (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 24; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Borrower of its obligations under the Finance Documents or otherwise.

24. INDEMNITIES

24.1 Breakage costs indemnity

Each Obligor shall, to the extent legally possible, indemnify each Finance Party on demand against any loss or expense (including any loss or expense on account of funds borrowed, contracted for or utilised to fund any amount payable under this Agreement, any amount repaid or prepaid under this Agreement or any Loan) which that Finance Party properly has sustained or incurred as a consequence of:

- (a) a Loan not being made following the service of a Drawdown Notice (except as a result of the failure of that Finance Party to comply with its obligations under this Agreement);
- (b) the failure of an Obligor to make payment on the due date of any sum due under this Agreement;
- (c) the occurrence of any Default or by the operation of Clause 15.2 (*Acceleration, etc.*); or
- (d) any prepayment or repayment of a Loan otherwise than on the last day of the Interest Period in relation to that Loan.

24.2 Currency indemnity

- 24.2.1 Any payment made to or for the account of or received by an Agent or any Lender in respect of any moneys or liabilities due, arising or incurred by an Obligor to an Agent or any Lender in a currency (the "Currency of Payment") other than the currency in which the payment should have been made under this Agreement (the "Currency of Obligation") in whatever circumstances (including as a result of a judgement against an Obligor) and for whatever reason shall constitute a discharge to that Obligor only to the extent of the Currency of Obligation amount which an Agent or that Lender, as the case may be, is able on the date of receipt of such payment (or if such date of receipt is not a Business Day, on the next succeeding Business Day) to purchase with the Currency of Payment amount at its spot rate

of exchange (as conclusively determined by the relevant Agent or that Lender) in the relevant foreign exchange market.

- 24.2.2 If the amount of the Currency of Obligation which an Agent or that Lender is so able to purchase falls short of the amount originally due to an Agent or that Lender, as the case may be, under this Agreement, then the relevant Obligor shall immediately on demand indemnify the relevant Agent or that Lender, as the case may be, against any loss or damage arising as a result of that shortfall by paying to the relevant Agent or that Lender, as the case may be, that amount in the Currency of Obligation certified by the relevant Agent or that Lender, as the case may be, as necessary so to indemnify it.

24.3 General

- 24.3.1 Each indemnity in this Clause 24 shall constitute a separate and independent obligation from the other obligations contained in this Agreement or any other Finance Document and shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted from time to time and shall continue in full force and effect notwithstanding any judgement or order for a liquidated sum or sums in respect of amounts due under this Agreement or any other Finance Document or under any such judgement or order.
- 24.3.2 The certificate of an Agent or the relevant Lender as to the amount of any loss or damage sustained or incurred by it shall be conclusive and binding on the Obligors except for any manifest error.

25. FORCE MAJEURE

- 25.3.1 No Finance Party shall be held responsible for any damage arising out of any Norwegian or foreign legal enactment, or any measure undertaken by a Norwegian or foreign public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance. The reservation in respect of strikes, lockouts, boycotts and blockades applies even if a Finance Party takes such measures, or is subject to such measures.
- 25.3.2 Any damage that may arise in other cases shall not be indemnified by a Finance Party if it has observed normal care. A Finance Party shall not in any case be held responsible for any indirect damage. Should there be an obstacle as described above for any of the parties set out above in this Clause 25 to take any action in compliance with any Finance Document, such action may be postponed until the obstacle has been removed.

26. LAW AND JURISDICTION

26.1 Law

- 26.1.1 This Agreement is governed by and shall be construed in accordance with Norwegian law.

26.2 Jurisdiction

- 26.2.1 Subject to Clause 26.2.2 below, the courts of Norway shall have exclusive jurisdiction over matters arising out of or in connection with this Agreement. Oslo tingrett shall be the court of first instance.
- 26.2.2 The submission to the jurisdiction of Norwegian Courts shall not limit the right of a Finance Party to take proceedings against any Obligor in any court which may otherwise exercise jurisdiction over any Obligor or any of its assets.

26.3 Service of process

26.3.1 Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in Norway):

- (a) irrevocably appoints PRA Group Europe AS (formerly Aktiv Kapital AS) (represented by the chairman of the board of directors from time to time) as its agent for service of process in relation to any proceedings before the Norwegian courts in connection with any Finance Document governed by Norwegian law; and
- (b) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

26.3.2 If any process agent appointed pursuant to this Clause 26.3 (Service of process) (or any successor thereto) shall cease to exist for any reason where process may be served, the Obligor will forthwith appoint another process agent with an office in Norway where process may be served and will forthwith notify the Agent thereof.

IN WITNESS whereof the Parties have caused this Agreement to be duly executed on the date set out above.

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SCHEDULE 1
The Guarantors

Country	Company	Organisation number
Norway	PRA Group Europe AS	960 545 397
Norway	PRA Group Europe Portfolio AS (formerly Aktiv Kapital Portfolio AS)	942 464 347
Switzerland	PRA GROUP EUROPE PORTFOLIO AS, Oslo, Zweigniederlassung Zug (formerly Aktiv Kapital Portfolio AS, Oslo, Zweigniederlassung Zug)	CHE-115.187.385
Norway	PRA Group Norge AS	995 262 584
Sweden	PRA Group Sverige AB	556189-4493
Switzerland	PRA Group Switzerland Portfolio AG	CHE-116.343.570
Finland	PRA Suomi Oy	1569394-6
Austria	PRA Group Österreich Inkasso GmbH	FN 207430 w
Austria	PRA Group Österreich Portfolio GmbH	FN 426567 f
Germany	PRA Group Deutschland GmbH	HRB 18837
Spain	PRA Iberia, S.L.U.	B 8056 8769
Poland	PRA Group Polska Holding sp. z o.o. (formerly PRA Group Polska sp. z o.o.)	0000537397
Poland	PRA Group Polska sp. z o.o. (formerly Debt Trading Partners BIS sp. z o.o.)	0000517951

SCHEDULE 2
The Lenders

Lender	Address for Notices	Commitment
DNB Bank ASA	N-0021 Oslo, Norway Attention: Loan Administration E-mail: loanadmin.corporate@dnb.no	USD 284,000,000.00
Nordea Bank Abp, filial i Norge		USD 233,000,000.00
Swedbank AB (publ)		USD 233,000,000.00
	Total Commitments	USD 750,000,000

SCHEDULE 3
Conditions Precedent

1. Corporate Documents

The Facility Agent shall have received a Certified Copy of each of the following in form and substance satisfactory to it:

- (a) the certificate of incorporation (and any related certificate of incorporation on change of name) (or equivalent) of the Borrowers and each other Obligor which is party to a Finance Document;
- (b) the constitutional (or similar) documents of the Borrowers and each other Obligor which is party to a Finance Document, including, but not limited to;
 - (i) in relation to an Obligor incorporated in Spain; its deed of incorporation (*escritura de constitucion*) a certificate issued by the commercial registry (*certificacion del Registro Mercantil*) evidencing that the Spanish Obligor is registered with the commercial registry and has not been dissolved, liquidated or become subject to insolvency proceedings or an informative excerpt (*nota simple informativa*) relative to such Obligor incorporated in Spain; each of them not dated earlier than 30 days before the date of the relevant Drawdown Notice; and
 - (ii) including in relation to an Obligor incorporated in Luxembourg (i) an Excerpt from the Luxembourg Trade and Companies Register not older than one Business Day prior to the Utilisation Request, (ii) Certificate of non-inscription of a judicial decision from the Luxembourg Trade and Companies Register not older than one Business Day prior to the Utilisation Request and (ii) a Domiciliation Certificate issued by the domiciliation agent;
- (c) the minutes of a meeting (or as appropriate, a copy of a resolution) of the board of directors, managers, or as applicable, the branch manager of the Borrowers and each other Obligor which is party to a Finance Document:
 - (i) approving and authorising the execution, delivery and performance of each Finance Document to which it is to be a party on the terms and conditions of those documents;
 - (ii) showing that the relevant board meeting had appropriate quorum, that due consideration was given by all the relevant directors present of the relevant company's obligations and liabilities arising under those documents and that all declarations of interests required in connection with any Finance Document to which it is to be a party were made; and
 - (iii) authorising any person whose name and specimen signature is set out in those minutes to sign or otherwise attest the execution of those documents and any other documents to be executed or delivered pursuant to those documents or, as the case may be, appointing any person or persons to sign or otherwise attest the due execution of the Finance Documents by way of power of attorney together with a certified copy of such power of attorney.

- (d) if applicable, the minutes of a meeting of the shareholders of each Obligor approving the Finance Documents to which such Obligor is a party.

2. Delivery of Finance Documents other than Security Documents

The Facility Agent shall have received each of the following in form and substance satisfactory to it:

- (a) the Agreement duly executed by all parties thereto, and notarised; and
- (b) a Fee Letter duly countersigned by the Borrowers.

3. Delivery of Security Documents

The Security Agent shall have confirmed to the Facility Agent that it has received each of the following in form and substance satisfactory to it:

- (a) the Security Documents duly executed and perfected by the relevant Obligor and the Security Agent (or by all the Lenders and/or Finance Parties if required by applicable law) and all actions required in order to perfect the Encumbrances created thereunder; and
- (b) together with, in each case, all documents deliverable therewith.

4. Miscellaneous

The Facility Agent shall have received each of the following in form and substance satisfactory to it:

- (a) the Hedging Strategy;
- (b) Compliance Certificate, showing inter alia compliance with the financial covenants;
- (c) confirmation that Representations and Warranties being true and correct;
- (d) effective interest letter;
- (e) the fees payable on the first Drawdown Date hereunder pursuant to the Fee Letter;
- (f) legal opinions from the Lender's legal advisors
- (g) a copy or certified copy, as required, of all "Know Your Customer" documentation;
- (h) proforma consolidated financial statements for the Group
- (i) Audited report for 2013 for PRA Group Europe AS (formerly Aktiv Kapital AS);
- (j) the Service Agreements, including a memo explaining briefly the mandate structure for the Collection Companies;
- (k) current trading;
- (l) all material approvals, authorisations and consents in place;

- (m) an overview of the Existing Loan Portfolios, related Portfolio Owner and calculation of ERC;
- (n) any process agent letter required
- (o) no Default having occurred in the Group;
- (p) absence of any material adverse change;
- (q) confirmation that the Existing Facilities debt in the Group to be refinanced have been or will be cancelled and repaid in full upon disbursement and that all existing security will be released; and
- (r) any other document reasonably requested by the Facility Agent.

SCHEDULE

- *(a) A Certified Copy of our constitutional documents (such as, but not limited to, certificate of registration and articles of association).
- *(b) A Certified Copy of the resolution of our Board of Directors and if necessary shareholder approval, approving the transactions contemplated by this Agreement and authorising the execution of this Agreement and any other documents contemplated by this Agreement.
- *(c) Certified Copies of all other resolutions, authorisations, approvals, consents and licences, corporate, official or otherwise, necessary or desirable, to enable us to give effect to the transactions contemplated by this Agreement and for the validity and enforceability of this Agreement.
- *(d) All relevant Transaction Security Documents
- *(e) A legal opinion from relevant local counsel acceptable to the Facility Agent.
- *(e) Such other document as the Facility Agent may reasonably require.

SCHEDULE

Existing Lender's Commitment	Amount of Commitment Transferred
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Existing Lender's Participation in the Facility	Amount of Participation Transferred
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*[insert full name of Lender Transferee] Lending office *	Address for notices *[address] Attention: E-mail
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SCHEDULE 10
Security Documents¹

1. First priority pledge over the shares in:

- (a) PRA Group Europe Portfolio AS (formerly known as Aktiv Kapital Portfolio AS) (Norway)
- (b) PRA Group Europe AS (formerly known as Aktiv Kapital AS) (Norway)
- (c) PRA Group Norge AS (formerly known as Aktiv Kapital Portfolio Collection AS) (Norway)
- (d) PRA Group Switzerland Portfolio AG (Switzerland)
- (e) PRA Suomi Oy (Finland)
- (f) PRA Group Sverige AB (Sweden)
- (g) AK Nordic AB (Sweden)
- (h) PRA Group Europe Holding S.à r.l. (formerly known as SHCO 54 S.à r.l.) (Luxembourg)
- (i) PRA Group Deutschland GmbH (Germany)
- (j) PRA Group Österreich Portfolio GmbH (Austria)
- (k) PRA Group Österreich Inkasso GmbH (Austria)
- (l) PRA Iberia, S.L.U (Spain)
- (m) PRA Group Polska Holding sp. z o.o. (Poland) (formerly known as PRA Group Polska sp. z o.o.)
- (n) PRA Group Polska sp. z o.o. (formerly known as Debt Trading Partners BIS sp. z o.o.)

2. First priority pledge over intra group claims:

- (a) Assignment of Intra-Group Loans between the Borrowers and the Agent
- (b) Assignment of Intra-Group Loans between PRA Group Europe AS (formerly known as Aktiv Kapital AS) and the Agent
- (c) Assignment of Intra-Group Loans between PRA Group Österreich Inkasso GmbH and the Agent
- (d) Assignment of Intra-Group Loans between PRA Group Deutschland GmbH (formerly known as Aktiv Kapital Deutschland GmbH) and the Agent
- (e) Assignment of Intra-Group Loans between AK Portfolio Holding AB and the Agent

¹ Updated March 2022.

- (f) Assignment of Intra-Group Loans between AK Nordic AB and the Agent
- (g) Assignment of Intra-Group Loans between PRA Group Europe AS and the Agent²
- (h) Assignments of Intra-Group Loans between PRA Group Europe Finance S.à r.l and the Agent

3. Polish statements on voluntary submissions to enforcement:

- (a) statements of voluntary submissions to enforcement issued by the Borrowers;
- (b) statements of voluntary submissions to enforcement issued by PRA Group Polska Sub-Holding sp. z o.o (formerly known as DTP S.A.);
- (c) statements of voluntary submissions to enforcement issued by PRA Group Polska Holding sp. z o.o. (formerly known as PRA Group Polska sp. z o.o.);
- (d) statements of voluntary submissions to enforcement issued by PRA Group Polska sp. z o.o. (formerly known as Debt Trading Partners BIS sp. z o.o.).

4. Austrian pledge agreement over debt security and receivables

- (a) Entered into between the Borrowers and the Agent

² PRA Group Europe Financial Services AS (979 112 300) no longer exists as it has been merged into PRA Group Europe AS (August 2021).

SCHEDULE 11
GIBD Ratio Calculation Principles

1. Gross Interest Bearing Debt / (EBITDA LTM + RFT)

(a) Gross Interest Bearing Debt

- (i) Any utilisation of the Facility + any utilisation of the Overdraft Facility + AK Nordic Deposits + any Vendor Financing + any Lone Star Equity commitments + any other interest bearing debt

(b) EBITDA LTM = EBITDA last twelve months

- (i) Actual figures for the quarterly reporting

(c) RFT = EBITDA remaining first twelve (months)

- (i) Target curves net of Target OPEX at a portfolio level for the quarterly reporting in order to obtain pro-forma EBITDA from purchases that does not have twelve months of ownership.

The Schedule

Relevant Commitment/rights and obligations to be assumed by the Increase Lender

[insert relevant details]

[Facility office address, fax number and attention details for notices and account details for payments]

[Increase Lender]

By:

This Letter is accepted as an Increase Confirmation for the purposes of the Agreement by the Agent, and the Increase Date is confirmed as [].

[Agent]

By:

FIFTH AMENDMENT TO CREDIT AGREEMENT

This FIFTH AMENDMENT TO CREDIT AGREEMENT (this “Agreement” or this “Amendment”) is entered into as of March 29, 2022, among PRA GROUP, INC. (f/k/a Portfolio Recovery Associates, Inc.), a Delaware corporation (“PRA”, or the “Company”), PRA GROUP CANADA INC., a Canadian corporation amalgamated under the Canada Business Corporations Act (the “Canadian Borrower”, and, together with PRA, the “Borrowers”) the Guarantors party hereto, the Lenders party hereto, BANK OF AMERICA, N.A., as Administrative Agent and BANK OF AMERICA, N.A., acting through its Canada branch, as Canadian Administrative Agent.

RECITALS

The Borrowers, the Guarantors, the Lenders, BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and BANK OF AMERICA, N.A., acting through its Canada branch, as Canadian Administrative Agent, are party to that certain Amended and Restated Credit Agreement dated as of May 5, 2017 (as amended, supplemented, modified and in effect from time to time until the date hereof, the “Credit Agreement”), pursuant to which the Lenders agreed to provide senior credit facilities to the Borrowers. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement (as defined below).

The Borrowers and the Guarantors have requested that the Administrative Agent and the Lenders agree to certain amendments to the Credit Agreement as set forth herein. The Administrative Agent, the Canadian Administrative Agent and the Lenders are willing to agree to such amendments to the Credit Agreement on the terms and subject to the conditions hereinafter set forth.

In consideration of the foregoing recitals and the mutual covenants herein set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Borrowers, the Guarantors, the Lenders party hereto and the Administrative Agent hereby acknowledge and agree as follows:

ARTICLE I

AMENDMENTS TO CREDIT AGREEMENT

The Credit Agreement is hereby amended as follows:

1. The following definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

“2022 Senior Unsecured Notes” means the approximately €500.0 million aggregate principal amount of the Company’s Senior Notes and/or approximately £250.0 million aggregate principal amount of the Company’s Senior Notes, issued pursuant to an Indenture, to be dated on or before December 31, 2022.

“PRA Group (UK) Revolving Credit Facility” means that certain credit facility (as may be amended, modified, supplemented, released, discharged, restated or amended and restated from time to time), by and among PRA Group Europe Holding I S.à.r.l, as borrower, the guarantors party thereto from time to time, the lenders party thereto from time to time and MUFG Bank, Ltd., as the facility agent.

2. The following definition in Section 1.01 of the Credit Agreement is hereby amended in its entirety to read as follows:

“European Multicurrency Revolving Credit Facility.” means that certain Seventh Amendment and Restatement Agreement, dated as of March 12, 2021, to the Multicurrency Revolving Credit Facility Agreement (as may be amended, modified, supplemented, released, discharged, extended, restated or amended and restated from time to time), by and among PRA Group Europe Holding S.à.r.l., as borrower, the guarantors party thereto from time to time, the lenders party thereto from time to time and DNB, as the facility agent and security agent.

3. Clause (a) of the definition of “Funded Indebtedness” in Section 1.01 of the Credit Agreement is hereby amended in its entirety to read as follows:

- a. The outstanding principal amount of: (i) all obligations for borrowed money, whether current or long-term (including the Obligations), and (ii) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

4. Clause (viii) of the definition of “Permitted Acquisitions” in Section 1.01 of the Credit Agreement is hereby amended in its entirety to read as follows:

(viii) the Consolidated Total Leverage Ratio immediately after giving effect to any such transaction pursuant to this definition on a Pro Forma Basis shall not be greater than 3.50 to 1.0.

5. Section 8.01(v) of the Credit Agreement is hereby amended in its entirety to read as follows:

(v) (i) Liens on the assets of PRA Group Europe Holding S.à.r.l., or any direct or indirect parent holding company of such entity or any of its Subsidiaries (so long as such entity is not a Loan Party), securing Indebtedness permitted under Section 8.03(q) and (ii) Liens on the assets of PRA Group Europe Holding I S.à.r.l and PRA Group (UK) Limited, as well as on the equity interests in PRA Group (UK) Limited, its Subsidiaries and PRA Group Europe Holding I S.à.r.l., securing the PRA Group (UK) Revolving Credit Facility or otherwise permitted under Section 8.03(p);

5. Section 8.02 of the Credit Agreement is hereby amended by (a) deleting “and” at the end of clause (u), (b) replacing the “.” at the end of clause (v) with “; and” and (c) adding a new clause (w) to read as follows:

(w) Investments by PRA in its Subsidiaries of the net cash proceeds of the 2022 Senior Unsecured Notes; provided, however, that (i) at least 25% of the aggregate amount of such Investments shall be repaid to PRA within thirty (30) calendar days after the date of PRA’s initial Investment, and (ii) promptly after such Investment proceeds are repaid, PRA shall prepay the Loans in an amount equal to the aggregate amount of Investments repaid to PRA.

6. Section 8.03(o) of the Credit Agreement is hereby amended in its entirety to read as follows:

(o) Indebtedness of PRA in the form of (i) Add-On Permitted Convertible Notes and/or (ii) other unsecured financings, in each case, which does not contain any financial covenants that are more restrictive than those financial covenants set forth herein or negative covenants that are more restrictive in any material respect than those negative covenants set forth herein (and any renewals, amendments or replacements of any such unsecured financings); provided, that, in each

case, (x) no Default or Event of Default has occurred or is continuing, or would result from the issuance of such Indebtedness, (y) such Indebtedness shall not have a maturity date or be subject to any form of mandatory redemption on or prior to 180 days following the Maturity Date, other than pursuant to conversion of the Add-On Permitted Convertible Notes, customary provisions requiring redemption upon a “change of control” (as defined in the documentation relating to the Add-On Permitted Convertible Notes or such other unsecured Indebtedness, which definition shall be no more restrictive than the corresponding definition set forth herein), an “asset sale” (as defined in the documentation for such other unsecured Indebtedness), the occurrence of a Fundamental Change (as defined in the documentation relating to the Add-On Permitted Convertible Notes or such other unsecured Indebtedness), or acceleration upon an event of default and (z) the Consolidated Total Leverage Ratio immediately after giving effect to any such Indebtedness pursuant to this clause (o) on a Pro Forma Basis shall not be greater than 3.50 to 1.0;

7. Section 8.03(p) of the Credit Agreement is hereby amended in its entirety to read as follows:

(p) Indebtedness of PRA Group Europe Holding I S.à r.l. pursuant to the PRA Group (UK) Revolving Credit Facility and Guarantees by PRA, PRA Group (UK) Limited or any other Foreign Subsidiary of the PRA Group (UK) Revolving Credit Facility, in each case, so long as (i) after giving effect to the incurrence of any such Indebtedness (which, for purposes of this Section 8.03(p), only, shall be computed based on the aggregate committed amount thereof, and not on the funded amount thereof) on a Pro Forma Basis, the Loan Parties would be in compliance with the financial covenants set forth in Section 8.11 as of the most recent fiscal quarter for which PRA was required to deliver financial statements pursuant to Section 7.01(a) or (b), and (ii) any such Guarantee by a Loan Party is unsecured (or otherwise structurally subordinated to the Obligations) or contractually subordinated to the Obligations in a manner and pursuant to documentation reasonably satisfactory to the Administrative Agent;

8. Section 8.03 of the Credit Agreement is hereby amended by (a) deleting “and” at the end of clause (s), (b) replacing the “.” at the end of clause (t) with “; and” and (c) adding a new clause (u) to read as follows:

(u) the 2022 Senior Unsecured Notes (and any renewals, exchanges, amendments or replacements of such 2022 Senior Unsecured Notes); provided, that, (i) no Default or Event of Default has occurred or is continuing, or would result from the issuance of such Indebtedness and (y) the Consolidated Total Leverage Ratio immediately after giving effect to any such Indebtedness pursuant to this clause (u) on a Pro Forma Basis shall not be greater than 3.50 to 1.0.

9. Section 8.09 of the Credit Agreement is hereby amended by (a) replacing “or” between clause (9) and (10) with “,” and (b) adding the following text immediately before the “.”:

or (11) any document or instrument governing Indebtedness incurred pursuant to Section 8.03(p); provided that, any such restriction contained therein relates only to the asset or assets of PRA Group Europe Holding I S.à r.l and PRA Group (UK) Limited, as well as on the equity interests in PRA Group (UK) Limited, or any direct or indirect parent holding company of such entity or any of its Subsidiaries

ARTICLE II

CONDITIONS TO EFFECTIVENESS

The amendments set forth in Article I shall become effective on the date first written above (the “Fifth Amendment Effective Date”), when the following conditions have been met:

1. Counterparts. Receipt by the Agents of counterparts of this Amendment executed by the Administrative Agent, the Canadian Administrative Agent, the L/C Issuer, the applicable Lenders, the Borrowers and the Guarantors.
2. Amendment Fee. Receipt by the Administrative Agent, for the account of each Lender that consents to this Amendment, of an amendment fee in an amount equal to five (5) basis points of the Canadian Revolving Commitment, the Domestic Revolving Commitment and the Outstanding Amount of the Term Loan, in each case of such Lender as of the date of this Amendment, which fee shall be fully earned on the date hereof and shall be nonrefundable.
3. Expenses. Receipt by the Administrative Agent of all other reasonable fees and expenses due and owing in connection with this Agreement, including, without limitation, the reasonable and documented legal fees and expenses of Moore & Van Allen PLLC, counsel to the Agents and the Lenders.

ARTICLE III

MISCELLANEOUS

1. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
2. Electronic Execution; Electronic Records; Counterparts. This Amendment may be executed in multiple counterparts and by different parties hereto in separate counterparts, all of which, taken together, shall constitute an original. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission or electronic transmission (in .pdf) will be effective as delivery of a manually executed counterpart hereof. This Amendment may be in the form of an Electronic Record and may be executed using Electronic Signatures (including facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. For the avoidance of doubt, the authorization under this Section 3.2 may include use or acceptance by the Agents of a manually signed paper communication which has been converted into electronic form (such as scanned into “.pdf”), or an electronically signed communication converted into another format, for transmission, delivery and/or retention. Notwithstanding anything contained herein to the contrary, the Agents are not under any obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Agents pursuant to procedures approved by them; provided, that, without limiting the foregoing, (a) to the extent the Agents have agreed to accept such Electronic Signature, the Agents shall be entitled to rely on such Electronic Signature purportedly given by or on behalf of any Loan Party, any Lender, L/C Issuer, or the Swing Line Lender without further verification, and (b) upon the request of any Agent, any Electronic Signature shall be promptly followed by a manually executed, original counterpart.
3. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

4. Full Force and Effect; Limited Amendment. Except as expressly amended hereby, all of the representations, warranties, terms, covenants, conditions and other provisions of the Credit Agreement and the other Loan Documents shall remain unchanged and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms and each Borrower and each Guarantor confirms, reaffirms and ratifies all such documents and agrees to perform and comply with the terms and conditions of the Credit Agreement and the other Loan Documents. The amendments set forth herein shall be limited precisely as provided for herein to the provisions expressly amended herein and shall not be deemed to be an amendment to, waiver of, consent to or modification of any other term or provision of the Credit Agreement or any other Loan Document or of any transaction or further or future action on the part of any Loan Party which would require the consent of the Lenders under the Credit Agreement or any of the Loan Documents. This Amendment shall constitute a Loan Document.
5. Representations and Warranties. To induce the Agents and the Lenders to execute and deliver this Amendment, each Borrower hereby represents and warrants to the Agents and the Lenders as of the Fifth Amendment Effective Date that no Default or Event of Default exists and all statements set forth in Section 5.02(a) of the Credit Agreement are true and correct in all material respects (unless qualified by materiality or Material Adverse Effect, in which case, such statement shall be true and correct in all respects) as of such date, except to the extent that any such statement expressly relates to an earlier date (in which case such statement was true and correct in all material respects (unless qualified by materiality or Material Adverse Effect, in which case, such statement was true and correct in all respects) on and as of such earlier date).

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the first date above written.

BORROWERS: PRA GROUP, INC.

By: _____
Name: Peter M. Graham
Title: Executive Vice President and Chief Financial Officer

PRA GROUP CANADA, INC.

By: _____
Name: Dennis Hunter
Title: Vice President

GUARANTORS: PORTFOLIO RECOVERY

ASSOCIATES, LLC

By: _____
Name: Christopher B. Graves
Title: President, Treasurer and Secretary

**PRA HOLDINGS I, LLC
PRA HOLDINGS II, LLC
PRA HOLDINGS III, LLC
PRA HOLDINGS IV, LLC
PRA HOLDINGS V, LLC
PRA HOLDINGS VI, LLC
PRA HOLDINGS VII, LLC**

By: _____
Name: Pete M. Graham
Title: Vice President, Treasurer

**PRA FINANCIAL SERVICES, LLC
PRA AUTO FUNDING, LLC**

By: _____
Name: Christopher D. Lagow
Title: Manager

**PRA RECEIVABLES
MANAGEMENT, LLC**

By: _____
Name: Carol Elizabeth Hardy
Title: Vice President

**CLAIMS COMPENSATION
BUREAU, LLC**

By: _____
Name: Robert J. Rey
Title: President

**BANK OF AMERICA, N.A., as
Administrative Agent**

By: _____
Name: Felicia Brinson
Title: Assistant Vice President

**BANK OF AMERICA, N.A., acting through its Canada branch, as
Canadian Administrative Agent**

By: _____
Name: Medina Sales de Andrade
Title: Vice President

BANK OF AMERICA, N.A., as a Lender

By: _____
Name: Mark A. Zirkle
Title: Senior Vice President

**BANK OF AMERICA, N.A., acting through its Canada branch, as a
Lender**

By: _____
Name: Medina Sales de Andrade
Title: Vice President

TRUIST BANK, as a Lender

By:_____

Name: Hays Wood

Title: Director

DNB CAPITAL LLC, as a Lender

By:_____

Name: Dania Hinedi

Title: Senior Vice President

By:_____

Name: Bret Douglas

Title: Senior Vice President

MUFG BANK, LTD., as a lender

By:_____

Name: George Stoecklein

Title: Managing Director

CAPITAL ONE, NATIONAL ASSOCIATION, as a Lender

By:_____

Name: Eric Purzycki

Title: Duly Authorized Signatory

FIFTH THIRD BANK, NATIONAL ASSOCIATION, as a Lender

By:_____

Name: Christopher Griffin

Title: Director

FIFTH THIRD BANK, NATIONAL ASSOCIATION, acting through its
Canada branch, as a Lender

By: _____
Name: Steve Blazevic
Title: Senior Vice President

CITIZENS BANK, N.A., as a Lender

By: _____
Name: Karmyn Paul
Title: Vice President

REGIONS BANK, as a Lender

By: _____
Name: William Soo
Title: Director

FIRST HORIZON BANK, as a Lender

By: _____
Name: Todd Warrick
Title: EVP

ATLANTIC UNION BANK, as a Lender

By: _____
Name: William P. Massie
Title: Vice President

ING CAPITAL LLC, as a Lender

By: _____
Name: Jonathan Banks
Title: Managing Director

By: _____
Name: Alexander Kreissman
Title: Director

KEYBANK NATIONAL ASSOCIATION, as a Lender

By:_____

Name: Brian P. Fox

Title: Senior Vice President

UMPQUA BANK, as a Lender

By:_____

Name: Lisa Fitch

Title: Vice President/Client Solutions Manager

RAYMOND JAMES BANK, as a Lender

By:_____

Name: Kathy Bennett

Title: Senior Vice President

FARMERS BANK, as a Lender

By:_____

Name: Jeffrey S. Creekmore

Title: Senior Vice President

I, Kevin P. Stevenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PRA Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2022

By: /s/ Kevin P. Stevenson
Kevin P. Stevenson
President and Chief Executive Officer
(Principal Executive Officer)

I, Peter M. Graham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PRA Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2022

By: /s/ Peter M. Graham

Peter M. Graham

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin P. Stevenson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 9, 2022

By: /s/ Kevin P. Stevenson
Kevin P. Stevenson
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Graham, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 9, 2022

By: /s/ Peter M. Graham
Peter M. Graham
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)